FirstRand

ANALYSIS OF FINANCIAL RESULTS **2020**

for the six months ended 31 December

about this report

This report covers the unaudited condensed consolidated financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2020.

The primary results and accompanying commentary are presented on a normalised basis as the group believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results.

Normalised results include a condensed consolidated income statement, statement of comprehensive income, statement of financial position and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 172 and 173. Detailed reconciliations of normalised to IFRS results are provided on pages 184 to 192. Commentary is based on normalised results, unless indicated otherwise.

Simonet Terblanche, CA(SA), supervised the preparation of the condensed consolidated financial results.

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FirstRand

1966/010753/06
Certain entities within the FirstRand group are authorised financial services and credit providers. This analysis is available on the group's website:
www.firstrand.co.za

Email questions to
investor.relations@firstrand.co.za

ANALYSIS OF RESULTS

FINANCIAL RESOURCE MANAGEMENT

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OVERVIEW OF RESULTS

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

↓

100%	100%	100%	100%	100%	100%
FirstRand Bank Limited (FRB)	FirstRand EMA Holdings (Pty) Ltd (FREMA)	FirstRand International Limited (Guernsey) (FRI)	FirstRand Insurance Holdings (Pty) Ltd	FirstRand Investment Management Holdings Limited	FirstRand Investment Holdings (Pty) Ltd (FRIHL)
SA banking	Rest of Africa	UK banking and hard currency platform	Insurance	Investment management	Other activities
First National Bank[1] Rand Merchant Bank[1] WesBank[1] FirstRand Bank India[2] FirstRand Bank London[2] FirstRand Bank Guernsey[2,*] FirstRand Bank Kenya[3] FirstRand Bank Angola[3] FirstRand Bank Shanghai[3]	**58%** FirstRand Namibia **70%** FNB Botswana **100%** FNB Eswatini **95%** FNB Mozambique **100%** FNB Zambia **100%** FNB Lesotho **100%** FNB Tanzania **100%** First National Bank Ghana **100%** RMB Nigeria	**100%** Aldermore Group plc **100%** MotoNovo Finance** **100%** RMB International Mauritius	**100%** FirstRand Life Assurance **100%** FirstRand Short Term Insurance **100%** FirstRand Insurance Services Company (FRISCOL)	**100%** Ashburton Fund Managers **100%** Ashburton Management Company (RF) **100%** Ashburton Investments International Holdings **100%** FNB Investor Services **100%** FNB CIS Management Company (RF) **100%** Various general partners[#]	**98%** RMB Private Equity Holdings **97%** RMB Private Equity **100%** RMB Securities **50%** RMB Morgan Stanley **100%** RMB Investments and Advisory **100%** RMB Australia Holdings **100%** FNB Stockbroking and Portfolio Management **81%** MotoVantage **100%** FirstRand Securities **100%** Hyphen Technology **100%** FNB Fiduciary

1. Division

2. Branch

3. Representative office

DirectAxis is a business unit of FirstRand Bank Limited.

* *Trading as FNB Channel Islands.*

** *Wholly owned subsidiary of Aldermore Group plc.*

[#] *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

Structure shows effective consolidated shareholding

For segmental analysis purposes entities included in FRIHL, FREMA, FRI, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are reported as part of the results of the managing business (i.e. FNB, RMB, WesBank or FCC). The group's securitisations and conduits are in FRIHL, FRI and FRB.

FirstRand

FIRSTRAND'S PORTFOLIO of integrated financial services businesses comprises FNB, RMB, WesBank and Aldermore. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products and services.

performance highlights

Normalised earnings

R11.0bn ↓21%

Dec 19: R14.0bn

Return on equity

15.6%

Dec 19: 21.2%

Normalised earnings per share

196.8 cents ↓21%

Dec 19: 249.7 cents

CET1 ratio

12.4%

Dec 19: 12.4%

Dividend per share

110 cents ↓24.7%

Dec 19: 146 cents

Net asset value

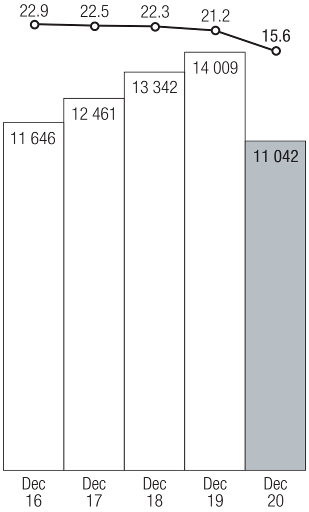
R145.2bn ↑8%

Dec 19: R134.8bn

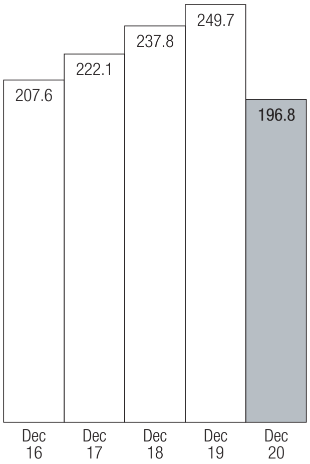
FNB RMB WesBank Aldermore

Track record

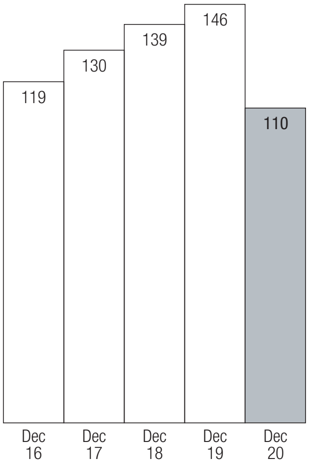
NORMALISED EARNINGS *(R million)*
AND ROE *(%)*
CAGR (1%)



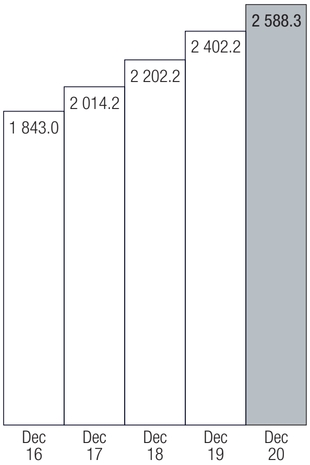
DILUTED NORMALISED
EARNINGS PER SHARE *(cents)*
CAGR (1%)



DIVIDEND
PER SHARE *(cents)*
CAGR (2%)



NORMALISED NET ASSET
VALUE PER SHARE *(cents)*
CAGR 9%



Note: 2016 and 2017 figures are based on IAS 39
and 2018 to 2020 figures on IFRS 9.

Key financial and operational results, ratios and statistics – normalised

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 184 and 192.

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Earnings performance				
Normalised earnings per share (cents)				
– Basic	**196.8**	249.7	(21)	307.8
– Diluted	**196.8**	249.7	(21)	307.8
Headline earnings per share (cents)				
– Basic	**198.9**	249.4	(20)	308.9
– Diluted	**198.9**	249.4	(20)	308.9
Earnings per share (cents) – IFRS				
– Basic	**198.5**	249.3	(20)	303.5
– Diluted	**198.5**	249.3	(20)	303.5
Attributable earnings – IFRS (refer page 175)	**11 132**	13 982	(20)	17 021
Headline earnings	**11 154**	13 987	(20)	17 326
Normalised earnings	**11 042**	14 009	(21)	17 265
Normalised net asset value	**145 188**	134 751	8	137 606
Normalised net asset value per share (cents)	**2 588.3**	2 402.2	8	2 453.1
Average normalised net asset value	**141 397**	132 201	7	133 628
Market capitalisation	**286 308**	352 170	(19)	213 497
Ordinary dividend per share (cents)	**110**	146	(24.7)	146
Dividend cover (times)	**1.79**	1.71		2.11
NCNR B preference dividend – paid (cents per share)*	**306.0**	384.2	(20)	758.9
Ratios and key statistics				
ROE (%)	**15.6**	21.2		12.9
ROA (%)	**1.14**	1.66		0.96
Price earnings ratio (times)	**13.0**	12.6		12.4
Price-to-book ratio (times)	**2.0**	2.6		1.6
Diversity ratio (%)	**41.2**	41.5		40.3
Credit impairment charge	**9 414**	5 934	59	24 383
Credit loss ratio (%)	**1.46**	0.95		1.91
Stage 3/NPLs as % of advances	**4.80**	3.58		4.37
Total impairment coverage ratio (%)	**87.1**	79.0		86.2
Specific coverage ratio (%)	**45.7**	44.0		43.1
Performing book coverage ratio (%)	**2.09**	1.30		1.97
Credit loss ratio (%) – excluding UK operations	**1.64**	1.06		2.10
Stage 3/NPLs as % of advances – excluding UK operations	**5.37**	4.15		5.04
Total impairment coverage ratio (%) – excluding UK operations	**90.4**	80.5		87.7
Specific coverage ratio (%) – excluding UK operations	**48.2**	45.6		45.4
Performing book coverage ratio (%) – excluding UK operations	**2.39**	1.52		2.24
Cost-to-income ratio (%)	**52.8**	52.1		52.9
Effective tax rate (%)	**24.0**	23.1		20.4
Share price (closing – rand)	**51.04**	62.80	(19)	38.06

* *75.56% of FNB prime lending rate.*

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Balance sheet				
Normalised total assets	**1 949 777**	1 716 385	14	1 926 616
Advances (net of credit impairment)	**1 222 120**	1 223 764	–	1 261 715
Average gross loan-to-deposit ratio (%)	**83.7**	88.3		87.1
Deposits	**1 556 904**	1 438 588	8	1 535 015
Capital adequacy – IFRS[*]				
Capital adequacy ratio (%)	**15.3**	15.6		14.5
Tier 1 ratio (%)	**13.1**	13.2		12.1
Common Equity Tier 1 ratio (%)	**12.4**	12.4		11.5
Leverage – IFRS[*]				
Leverage ratio (%)	**7.3**	7.7		7.1
Liquidity – IFRS[**]				
Liquidity coverage ratio (%)	**122**	148		115
Net stable funding ratio (%)	**125**	119		117
Operational statistics				
Number of ATMs (including ADTs)	**6 226**	6 749	(8)	6 598
– South Africa	**5 205**	5 776	(10)	5 622
– Rest of Africa	**1 021**	973	5	976
Number of branches	**767**	766	–	765
– South Africa	**594**	605	(2)	604
– Rest of Africa	**173**	161	7	161
FNB Cash Plus agents[#]	**1 376**	616	>100	937
Number of employees	**47 771**	49 867	(4)	49 233
– South Africa	**39 240**	41 410	(5)	40 736
– Rest of Africa	**6 006**	6 046	(1)	6 061
– UK operations	**2 074**	1 992	4	2 015
– Other	**451**	419	8	421
FNB customer numbers (millions)	**10.34**	10.04	3	9.99
– South Africa	**8.52**	8.28	3	8.23
– Retail	**7.43**	7.28	2	7.20
– Commercial	**1.09**	1.00	9	1.03
– Rest of Africa	**1.82**	1.76	3	1.76
FNB channel volumes (thousands of transactions)				
– ATM/ADT	**108 523**	121 677	(11)	224 141
– Internet banking	**88 840**	93 585	(5)	176 280
– Banking app	**184 748**	151 262	22	303 503
– Mobile (excluding prepaid)	**19 444**	22 170	(12)	41 260
– Point of sale merchants	**316 502**	332 664	(5)	587 152
– Card swipes[†]	**436 585**	466 226	(6)	814 099

[*] *Including unappropriated profits and the transitional impact of IFRS 9.*

[**] *Including the bank's operations in South Africa, and all registered banks and foreign branches in the group.*

[#] *Provide an alternative channel for customers to deposit or withdraw cash.*

[†] *December 2019 and June 2020 were restated to exclude Discovery card swipes.*

Condensed consolidated income statement – normalised

R million	Six months ended 31 December **2020**	 2019	% change	Year ended 30 June 2020
Net interest income before impairment of advances	**32 017**	31 893	–	62 851
Impairment charge	**(9 414)**	(5 934)	59	(24 383)
Net interest income after impairment of advances	**22 603**	25 959	(13)	38 468
Total non-interest revenue	**22 434**	22 583	(1)	42 454
– Operational non-interest revenue	**21 841**	22 056	(1)	42 247
– Fee and commission income	**16 031**	16 067	–	30 058
– Insurance income	**2 029**	2 207	(8)	3 941
– Trading and other fair value income	**2 206**	2 166	2	4 788
– Investment income	**50**	84	(40)	535
– Other non-interest revenue	**1 525**	1 532	–	2 925
– Share of profits of associates and joint ventures after tax	**593**	527	13	207
Income from operations	**45 037**	48 542	(7)	80 922
Operating expenses	**(28 733)**	(28 358)	1	(55 656)
Income before indirect tax	**16 304**	20 184	(19)	25 266
Indirect tax	**(714)**	(734)	(3)	(1 348)
Profit before tax	**15 590**	19 450	(20)	23 918
Income tax expense	**(3 749)**	(4 491)	(17)	(4 874)
Profit for the period	**11 841**	14 959	(21)	19 044
Other equity instrument holders	**(379)**	(498)	(24)	(1 145)
Non-controlling interests	**(420)**	(452)	(7)	(634)
Normalised earnings attributable to ordinary equityholders of the group	**11 042**	14 009	(21)	17 265

Condensed consolidated statement of other comprehensive income – normalised

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Profit for the period	**11 841**	14 959	(21)	19 044
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**1 048**	(264)	(>100)	1 154
Gains/(losses) arising during the period	**1 799**	(189)	(>100)	592
Reclassification adjustments for amounts included in profit or loss	**(484)**	(177)	>100	1 036
Deferred income tax	**(267)**	102	(>100)	(474)
FVOCI debt reserve	**220**	6	>100	(61)
Gains/(losses) arising during the period	**298**	(1)	(>100)	(91)
Reclassification adjustments for amounts included in profit or loss	**(6)**	–	–	3
Deferred income tax	**(72)**	7	(>100)	27
Exchange differences on translating foreign operations	**(4 756)**	(8)	>100	6 208
(Losses)/gains arising during the period	**(4 718)**	(4)	>100	6 170
Deferred income tax	**(38)**	(4)	>100	38
Share of other comprehensive income/(loss) of associates and joint ventures after tax and non-controlling interests	**57**	(19)	(>100)	33
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**(119)**	1	(>100)	(157)
(Losses)/gains arising during the period	**(153)**	1	(>100)	(202)
Deferred income tax	**34**	–	–	45
Remeasurements on defined benefit post-employment plans	**29**	8	>100	650
Gains arising during the period	**40**	12	>100	908
Deferred income tax	**(11)**	(4)	>100	(258)
Other comprehensive (loss)/income for the period	**(3 521)**	(276)	>100	7 827
Total comprehensive income for the period	**8 320**	14 683	(43)	26 871
Attributable to				
Ordinary equityholders	**7 644**	13 731	(44)	24 996
Other equity instrument holders	**379**	498	(24)	1 145
Equityholders of the group	**8 023**	14 229	(44)	26 141
Non-controlling interests	**297**	454	(35)	730
Total comprehensive income for the period	**8 320**	14 683	(43)	26 871

Condensed consolidated statement of financial position – normalised

	As at 31 December		As at 30 June
R million	**2020**	2019	2020
ASSETS			
Cash and cash equivalents	**144 173**	106 537	136 002
Derivative financial instruments	**142 863**	50 625	147 515
Commodities	**20 046**	19 369	21 344
Investment securities	**361 181**	260 164	297 510
Advances	**1 222 120**	1 223 764	1 261 715
– Advances to customers	**1 152 658**	1 162 613	1 191 281
– Marketable advances	**69 462**	61 151	70 434
Other assets*	**11 141**	8 973	11 256
Current tax asset	**440**	471	598
Non-current assets and disposal groups held for sale	**802**	–	3 065
Reinsurance assets	**373**	231	240
Investments in associates	**7 202**	7 012	6 882
Investments in joint ventures	**2 080**	2 016	1 811
Property and equipment	**20 812**	21 893	21 369
Intangible assets	**10 723**	10 493	11 638
Investment properties	**714**	689	722
Defined benefit post-employment asset	**–**	6	–
Deferred income tax asset	**5 107**	4 142	4 949
Total assets	**1 949 777**	1 716 385	1 926 616
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**17 035**	3 445	5 062
Derivative financial instruments	**145 522**	55 501	162 193
Creditors, accruals and provisions	**20 763**	19 102	21 038
Current tax liability	**1 290**	203	499
Liabilities directly associated with disposal groups held for sale	**908**	–	1 427
Deposits	**1 556 904**	1 438 588	1 535 015
Employee liabilities	**8 327**	9 440	8 820
Other liabilities	**8 611**	8 411	8 203
Policyholder liabilities	**6 583**	5 692	6 430
Tier 2 liabilities	**21 168**	24 381	24 614
Deferred income tax liability	**1 216**	1 287	1 318
Total liabilities	**1 788 327**	1 566 050	1 774 619
Equity			
Ordinary shares	**56**	56	56
Share premium	**8 056**	8 056	8 056
Reserves	**137 076**	126 639	129 494
Capital and reserves attributable to equityholders of the group	**145 188**	134 751	137 606
Other equity instruments	**11 645**	11 495	10 245
Non-controlling interests	**4 617**	4 089	4 146
Total equity	**161 450**	150 335	151 997
Total equities and liabilities	**1 949 777**	1 716 385	1 926 616

* *In the prior period, these amounts were disclosed as accounts receivable. The description other assets is more appropriate based on the nature of the assets included in this line item and is in line with industry practice.*

Flow of funds analysis – normalised

	December 2020 vs June 2020	December 2019 vs June 2019	June 2020 vs June 2019
R million	**6-month movement**	6-month movement	12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**9 453**	5 765	7 427
Working capital movement	**2 341**	(5 188)	(7 870)
Short trading positions and derivative financial instruments	**(46)**	(2 546)	8 873
Deposits and long-term liabilities	**18 443**	45 674	142 334
Total	**30 191**	43 705	150 764
Application of funds			
Advances	**39 595**	(18 012)	(55 963)
Investments	**2 056**	(3 263)	(5 560)
Cash and cash equivalents	**(8 171)**	(4 019)	(33 484)
Investment securities (e.g. liquid asset portfolio)	**(63 671)**	(18 411)	(55 757)
Total	**(30 191)**	(43 705)	(150 764)

Condensed consolidated statement of changes in equity – normalised

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2019	56	8 056	**8 112**	(206)	841
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the period	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	8	(264)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2019	56	8 056	**8 112**	(198)	577
Balance as at 1 July 2020	56	8 056	**8 112**	444	1 995
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the period	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	29	1 048
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2020	56	8 056	**8 112**	473	3 043

* *Other reserves include the FVOCI reserve.*

** *Other equity instruments at 31 December 2020 include R4 519 million non-cumulative, non-redeemable preference shares and R7 126 million of AT1 instruments.*

\# *Headline and normalised earnings adjustments are reflected in the movement in other reserves.*

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
1	2 366	707	117 814	**121 523**	**10 734**	**4 186**	**144 555**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**761**	**–**	**761**
–	–	23	(106)#	**(83)**	**–**	**(5)#**	**(88)**
–	–	–	(8 526)	**(8 526)**	**–**	**(541)**	**(9 067)**
–	–	–	–	**–**	**(498)**	**–**	**(498)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	(5)	**(5)**	**–**	**(5)**	**(10)**
–	(9)	(13)	14 009	**13 731**	**498**	**454**	**14 683**
(1)	–	–	–	**(1)**	**–**	**–**	**(1)**
–	2 357	717	123 186	**126 639**	**11 495**	**4 089**	**150 335**
24	8 486	790	117 755	**129 494**	**10 245**	**4 146**	**151 997**
–	–	–	–	**–**	**–**	**372**	**372**
–	–	–	–	**–**	**1 400**	**–**	**1 400**
10	–	(12)	(60)#	**(62)**	**–**	**(1)#**	**(63)**
–	–	–	–	**–**	**–**	**(195)**	**(195)**
–	–	–	–	**–**	**(379)**	**–**	**(379)**
–	–	79	(79)	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**(2)**	**(2)**
–	(4 631)	156	11 042	**7 644**	**379**	**297**	**8 320**
–	–	–	–	**–**	**–**	**–**	**–**
34	3 855	1 013	128 658	**137 076**	**11 645**	**4 617**	**161 450**

> “Since June 2020, earnings have recovered faster than expected driven by a better than anticipated rebound in the economy, which has supported transactional volumes, growth in deposit balances and an improved credit experience. Over the past six months, FirstRand accreted capital and strengthened its balance sheet, enabling the group to declare an interim dividend.
>
> The level and speed of improvement in the group’s performance is testament to the quality of FirstRand’s portfolio and the strength of its customer franchises.”
>
> *Alan Pullinger | CEO: FirstRand*

GROUP STRATEGY

FirstRand Limited (FirstRand or the group) is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and in the UK. Many of these businesses are leaders in their respective segments and markets, and offer a broad range of transactional, lending, investment and insurance products and services.

Group earnings remain significantly tilted towards South Africa and are mainly generated by FirstRand’s large lending and transactional franchises, which have resulted in deep and loyal customer bases. Increased competition is targeting these traditional banking profit pools, particularly the transactional activities, and the group remains focused on protecting this large and profitable revenue stream. At the same time, FirstRand is working hard to find other sources of less capital-intensive revenues, and is investing in building meaningful insurance and investment management businesses.

Ultimately the group’s strategy in its domestic market is to deliver platform-enabled integrated financial services to its customers. Successful execution has been underpinned by a long-standing culture of entrepreneurial thinking and innovation, combined with disciplined allocation and pricing of financial resources. This approach has resulted in a long track record of delivering superior economic profits, returns and dividends to shareholders.

The group’s strategy outside of South Africa includes growing its presence and offerings in certain key markets in the rest of Africa, where it believes it can build competitive advantage and scale over time. In the UK, the group aims to build further franchise value through scaling, digitisation and disruption.

OPERATING ENVIRONMENT

The ongoing COVID-19 pandemic continues to present a challenging operating environment for the group.

In South Africa, lower global and domestic demand reduced corporate profitability across most sectors, resulting in higher unemployment and lower disposable household income. This, in turn, reduced government revenue, which triggered a further deterioration of the sovereign's credit quality. These developments manifested in revenue pressure, increased credit impairments and a higher cost of equity.

In this environment, demand for credit remained low among both households and corporates, resulting in subdued lending volumes. However, demand for savings and investment products continued to increase, largely due to growth in precautionary savings and customers' inability to spend during lockdown restrictions.

The low-inflation environment allowed the central bank to maintain low short-term interest rates. Whilst this has a negative endowment effect for the bank, rates are providing some support to the real economy. This is particularly noticeable in residential mortgages, where demand for mid-market housing has been underpinned by a new cohort of homeowners taking advantage of lower interest rates to enter the market.

While transactional volumes remained relatively muted, there were marked variations across industries. Card spend in sectors such as travel and hospitality remains at historical lows, but this was to some degree offset by the relative outperformance of industries exposed to online and IT services, groceries and essential goods, and sectors such as hardware and small-freight transport.

Many of the countries where the group operates in the rest of Africa are experiencing weak macroeconomic conditions and increased fiscal risk.

In the UK, the government's strong fiscal policy support of the economy, along with accommodative monetary policy, helped to limit the impact of the pandemic. The government's furlough scheme supported household income while a temporary stamp duty holiday for home buyers provided an underpin to mortgages.

Overall activity levels are still lower period-on-period, despite showing some improvement (off a very low base) since June 2020.

FINANCIAL PERFORMANCE

When assessing the results for the six months to 31 December 2020, it is important to note that the comparative period (the six months to 31 December 2019) was a pre-pandemic operating environment. Given the profound difference in operating environments period-on-period, the group's normalised earnings decreased 21%, with the normalised ROE reducing from 21.2% to 15.6%.

Most of this decline was due to the elevated credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9, especially at June 2020, and the continued impact of the weak operating environment on arrears and non-performing loans (NPLs). In addition, due to the effect of the pandemic, underlying customer income and affordability in all segments resulted in lower levels of transactional and credit origination.

When comparing the six months to 31 December 2020 to the preceding six months to June 2020 (a period which included the first three months of the lockdown restrictions introduced in March 2020) there are early indications of a positive rebound in performance, particularly with regard to non-interest revenue (NIR) and impairments. Albeit off a low base, to date the timing and extent of the rebound has positively exceeded the group's initial expectations.

Net income after the cost of capital (NIACC) is the group's key performance measure. Whilst at 30 June 2020 the group delivered negative NIACC, it generated R437 million of economic profit as at 31 December 2020. An ROE above cost of equity is a pleasing performance given the current macro environment.

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2020**	**% composition**	2019	% composition	% change	2020	% composition
FNB	**7 326**	**66**	9 164	66	(20)	12 228	70
– South Africa	**7 163**		8 798			11 990	
– Rest of Africa	**163**		366			238	
RMB*	**3 184**	**29**	3 406	24	(7)	5 674	33
WesBank	**678**	**6**	966	7	(30)	843	5
UK operations**	**1 043**	**10**	1 177	8	(11)	865	5
– Aldermore**, #	**770**		917			1 020	
– MotoNovo**	**273**		260			(155)	
FirstRand Corporate Centre (FCC) (including Group Treasury)*, **, †, ‡	**(901)**	**(8)**	(238)	(2)	>100	(1 442)	(8)
Ordinary equity instrument holders	**(288)**	**(3)**	(466)	(3)	(38)	(903)	(5)
Normalised earnings	**11 042**	**100**	14 009	100	(21)	17 265	100

* *Ashburton's results are now reflected in RMB, previously reported under FCC. Comparatives have been restated for this change.*

** *During May 2019, a new legal entity, MotoNovo Finance Limited, was established under the Aldermore group where all new MotoNovo business since May 2019 has been originated (also referred to as the MotoNovo front book). In the UK operations management view, shown in the table above and on pages 52 to 54, Aldermore refers to Aldermore excluding MotoNovo front book and MotoNovo refers to the standalone performance of MotoNovo, which includes the front book and back book. This differs from the segment report disclosed on pages 38 to 49 as MotoNovo (front book) is included under Aldermore and MotoNovo (back book) is included in FCC. The 2019 figures for FCC and Aldermore in the table above have been restated to reflect the management view of total UK operations.*

\# *After the dividend on the contingent convertible securities of R91 million (December 2019: R32 million and June 2020: R242 million).*

† *Includes capital endowment, the impact of accounting mismatches, and interest rate, foreign currency and liquidity management.*

‡ *Includes FirstRand Limited (company).*

In order to appropriately navigate the economic crisis brought about by the pandemic, the group anchored execution of its strategy to the following financial resource management (FRM) principles:

- Carefully price for financial resources.
- Appropriately provide against lending portfolios.
- Apply strict cost management.
- Further strengthen and appropriately tilt the balance sheet to the macro outlook.
- Accrete capital and net asset value (NAV) – the deployment of capital to reflect the updated cost of equity.
- Emerge from COVID-19 with limited vulnerabilities, with capital for growth.

Adherence to these principles has supported the group over the period under review. Earnings have recovered faster than expected, with NIACC back into positive territory. The group accreted NAV and is in a position to pay an interim dividend at the bottom end of its cover range.

The level of improvement in the group's performance, particularly since June 2020, reflects the quality of FirstRand's portfolio and the strength of its customer franchise.

The following tables provide a rolling six-month view of the group's performance and that of its operating businesses.

FIRSTRAND GROUP FINANCIAL HIGHLIGHTS

	Six months ended			December 2020 vs December 2019	December 2020 vs June 2020
	31 December	30 June	31 December		
R million	**2020**	2020	2019	% change	% change
NII	**32 017**	30 958	31 893	–	3
NIR*	**22 434**	19 871	22 583	(1)	13
Operating expenses	**(28 733)**	(27 298)	(28 358)	1	5
Impairment charge	**(9 414)**	(18 449)	(5 934)	59	(49)
Normalised earnings	**11 042**	3 256	14 009	(21)	>100
Gross advances	**1 275 510**	1 311 095	1 259 326	1	(3)
Credit loss ratio (%)	**1.46**	2.87	0.95		
Stage 3/NPLs as a % of advances	**4.80**	4.37	3.58		

* *Includes share of profits from associates and joint ventures after tax.*

SOURCES OF NORMALISED EARNINGS

	Six months ended			December 2020 vs December 2019	December 2020 vs June 2020
	31 December	30 June	31 December		
R million	**2020**	2020	2019	% change	% change
FNB	**7 326**	3 064	9 164	(20)	>100
RMB*	**3 184**	2 268	3 406	(7)	40
WesBank	**678**	(123)	966	(30)	(>100)
UK operations**	**1 043**	(312)	1 177	(11)	(>100)
FCC/Group Treasury*, #	**(901)**	(1 204)	(238)	>100	(25)
Ordinary equity instrument holders	**(288)**	(437)	(466)	(38)	(34)
FirstRand group	**11 042**	3 256	14 009	(21)	>100

* *Ashburton's results are now reflected in RMB, previously reported in FCC. Comparatives have been restated for this change.*

** *Including Aldermore and MotoNovo (front and back books).*

\# *Excluding MotoNovo back book.*

PRE-PROVISION OPERATING PROFIT

R million	Six months ended 31 December 2020	Six months ended 31 December 2019	% change	Six months ended 30 June 2020
FNB	**16 834**	17 484	(4)	14 806
RMB	**5 371**	4 950	9	6 517
WesBank	**2 110**	2 232	(5)	2 017
UK operations	**2 681**	2 308	16	2 537
FCC/Group Treasury	**(1 992)**	(1 590)	25	(2 960)
Total group pre-provision operating profit	**25 004**	25 384	(1)	22 917

Pre-provision operating profit showed a marginal decrease of 1%, which demonstrates the resilient operational performances of the underlying businesses despite the significant endowment impact resulting in margin pressure, subdued NIR growth, and depressed new business origination. The group continued to focus on its return profile and strengthening the balance sheet given the continued macroeconomic uncertainties in the markets where it operates.

FNB's pre-provision profit performance reflects the strength of its digital platforms, given that it was able to fulfil origination, account service and liability gathering digitally. Deposits continued to grow strongly and the premium and commercial segments benefited from active customer growth.

RMB delivered a robust operational performance, mainly driven by excellent performances from its domestic markets business and rest of Africa activities. This was underpinned by sustained annuity income growth, strong core deposit growth, a principal investment realisation and improved operating leverage.

WesBank's pre-provision operating profit was affected by lower production levels (new business declined 21%), which resulted in a 6% reduction in advances. The impact of lower advances and higher credit impairments also featured within the associates, thereby further affecting WesBank's performance. The business continued to extract efficiencies resulting in costs decreasing 2%.

The UK operations delivered pre-provision profits of £126 million, up marginally period-on-period (December 2019: £125 million). This was mainly due to growth in the MotoNovo book and excellent deposit growth, which benefited the cost of funding.

REVENUE AND COST OVERVIEW

Total group net interest income (NII) was flat period-on-period due to lack of advances growth and the negative endowment impact arising from significant interest rate cuts, a total of 300 bps since December 2019. This was partially offset by higher capital levels and strong growth in deposit volumes. Through Group Treasury's asset/liability management strategies, this negative endowment impact was mitigated to some extent. Net interest margin (NIM) declined 37 bps to 427 bps, driven by the endowment impact and slower absolute advances growth.

Advances increased 1% (but decreased 1% in constant-currency terms) and deposits grew 8% (7% in constant-currency terms).

Growth in advances and deposits is unpacked by operating business below.

	Growth in advances %	Growth in deposits %
FNB	**(1)**	**19**
– Retail	**–**	**14**
– Commercial	**(1)**	**24**
– Rest of Africa	**(5)**	**16**
RMB core advances*	**(2)**	**6**
WesBank	**(6)**	**n/a**
UK operations**	**–**	**15**

* *RMB core advances excluding assets under agreements to resell.*

** *In pound terms. Growth in deposits refers to customer deposits.*

FNB's advances contracted during the period, reflecting the business's continued prudent risk appetite and lower demand given the ongoing impact of COVID-19 on its customer base. RMB's core advances growth remained muted due to weak macroeconomic conditions and low levels of business confidence.

Across all segments, deposit growth benefited from strong momentum in savings and investment products, and retail customer balances increasing post lockdown. Commercial customers maintained liquidity to support cash flow demands given the prevailing uncertainty, and large corporate deposit growth was underpinned by clients holding higher current account balances.

Total group operational NIR was down 1% period-on-period, reflecting the impact of COVID-19 which was not in the comparative period.

The decline in NIR was driven by a reduction in gross fee and commission income of 2%, and negative growth in insurance income of 8%. Trading and fair value income increased 2%, which comprises a decline in Group Treasury fair value income and a 13% increase from RMB's markets business.

FNB's NIR reduced 2% due to sluggish activity despite the reopening of the economy post the restrictive lockdowns. There were also zero price increases on most products.

The reduction in insurance income was mainly due to the ongoing economic impact of the pandemic, resulting in lower new business sales and increased credit life and death claims. Mortality provisions increased to reflect expected growth in number of death claims. Despite the significant reduction in new business sales, particularly for credit life policies, the in-force annual premium equivalent (APE) grew 9% and gross premiums increased 10%.

RMB's markets business's strong performance was supported by fixed income and commodities. Transaction volumes in EFT, cash and merchant services came under pressure and trade activities moderated. Knowledge-based fees were muted, with robust fee income generated from advisory mandates, however, structuring revenue remained constrained given slower new deal origination.

Growth in operating expenses was contained at 1%, reflecting the continued focus on cost management and benefiting from lower variable staff expenditure given current performance. This was achieved despite continued investment in:

- life and short-term insurance growth strategies;
- platforms to deliver more efficient digital services;
- the build-out of the group's footprint in the rest of Africa; and
- the process and system modernisation of the UK business.

Additional costs associated with managing employee and customer wellbeing on premises and in branches, and the facilitation of remote working for a significant proportion of employees, continue to be incurred. Overall cost growth benefited from lower travel and related expenses. Despite the level of cost containment, given the degree of pressure on the topline, the group's cost-to-income ratio increased to 52.8%.

CREDIT PERFORMANCE

For the year to June 2020, FirstRand revised its macroeconomic outlook for 2020/21, with material downward revisions to key economic variables affecting the group's activities. In addition, there was a substantial shift in the scenario probability weightings, with the downside likelihood increasing markedly. These revisions were incorporated into the group's credit provision models in line with IFRS 9 requirements, with all segments and portfolios experiencing notable incremental impacts from forward-looking adjustments.

Subsequent to June, given the improving macro environment, the scenario ratings were amended, with the downside weighting decreasing. This resulted in a reduction in performing coverage, however, given ongoing uncertainties, the business has increased judgemental, out-of-model provisions. Given the uptick in balance sheet provisions in June 2020, the commentary that follows tracks performance since June 2020 as well as since December 2019.

Rising arrears (up 39% since December 2019, but down 4% since June 2020) were largely driven by the expiration of debt relief. This required an increase in performing provisions of R9.6 billion from December 2019 (up R0.7 billion since June 2020 despite advances balances decreasing). Stage 1 impairment provisions increased 3% since June 2020 despite advances balances decreasing. This reflects the impact of the increased COVID-19 coverage on relief provided and specific out-of-model overlays created given the increased uncertainty, with forward-looking information (FLI)-related impairments remaining close to June 2020 levels. Stage 2 impairment provisions increased 66% (3% since June 2020), also due to specific out-of-model overlays created given ongoing uncertainty, migration of extended relief loans and the reinstatement of cures on performing debt-review clients, which carry higher coverage.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December			Six months ended 30 June
R million	**2020**	2019	% change	2020
Performing book provisions	**663**	90	>100	8 950
NPL provision	**3 347**	1 310	>100	4 868
Credit provision increase	**4 010**	1 400	>100	13 818
Modification	**294**	494	(40)	513
Write-off and other	**6 267**	5 417	16	5 115
Post write-off recoveries	**(1 157)**	(1 377)	(16)	(997)
Total impairment charge	**9 414**	5 934	59	18 449

Exposures where relief was offered were assessed to determine whether it was expected to be either temporary or permanent in nature, and this determined the staging and whether adjustments were made to increase coverage through the application of COVID-19 scaling factors. In limited instances, customers applied for an extension of relief, which was considered a significant increase in credit risk, and all associated exposures migrated to stage 2 with lifetime credit losses raised.

Group NPLs increased 36% to 4.80% of advances (December 2019: 3.58%), up 7% since June 2020, reflecting expiration of relief periods and the decline in advances. This resulted in provisions of R8.2 billion (R3.3 billion since June 2020), with coverage marginally increasing. All of this, combined with the increase in performing provisions, resulted in a R17.8 billion (50%) increase in provisions period-on-period (R4.0 billion since June 2020). The table on page 20 unpacks these movements and operational credit losses. It explains the group's materially higher credit impairment charge of R9.4 billion, and the credit loss ratio increase from 95 bps to 146 bps period-on-period (June 2020: 191 bps). The increased loss ratio also reflects contracting advances (denominator effect).

All provisions raised reflect the group's best estimates against available data and scenario analyses (see pages 210 to 215 for detailed macro forecasts) and are considered appropriately prudent given the prevailing risk in the system.

Even though overall NPLs increased 7% (R4 billion) since June 2020, operational NPLs decreased. This NPL outcome was better than expected.

Retail NPLs as a percentage of advances increased to 9.01% from 6.50% in the comparative period (8.44% at June 2020), driven by:

- A contraction in retail advances (denominator effect).
- Increases in NPL balances across all retail portfolios. NPL formation for the six months to June 2020 was driven by:
  - customers who did not qualify for relief who migrated into NPLs; and
  - certain relief loans that were classified as NPLs as they were considered to be distressed restructures.
- For the six months to December 2020, NPL growth included expired relief rolling into stage 3 and increased technical cures, offset by lower NPL formation in advances that did not receive relief.

SA corporate and commercial NPLs as a percentage of advances increased to 2.44% from 2.18% in December 2019 (June 2020: 2.28%), reflecting:

- specific high-value counters in commercial property and asset-based finance migrating to NPLs;
- higher levels of operational NPLs in the small- and medium-sized enterprises (SME) segment, reflecting the impact of lockdown restrictions and the weak environment, together with the migration of clients who did not receive relief;
- migration of a limited number of loans to private equity investee companies into NPLs due to stress events in their particular industries; offset by
- a decline in investment and corporate bank NPLs due to restructure, partial settlement and write-off of corporate counters.

In the UK operations, NPLs as a percentage of advances increased to 2.89% from 1.41% (June 2020: 2.18%), mainly due to the impact of lockdown restrictions. Aldermore and MotoNovo granted second and third payment holidays to existing clients, with third payment holidays being viewed as a default event with these clients being classified as stage 3/NPL. The ban on collateral repossessions in the UK also contributed to NPL growth.

The table below unpacks all movements in NPLs.

TOTAL GROUP NPLs

	31 December 2020 vs 31 December 2019			31 December 2020 vs 30 June 2020		
	R million	**% change**	**Percentage point contribution to overall NPL increase**	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	**4 922**	**15**	**11**	(2 334)	(6)	(4)
Loans under COVID-19 relief	**4 801**	**–**	**11**	2 891	>100	5
Restructured debt review*	**588**	**17**	**1**	(303)	7	(1)
Definition of rehabilitation (technical cures)	**1 317**	**30**	**3**	2 075	57	4
NPLs (excluding UK operations)	**11 628**	**28**	**26**	2 329	5	4
UK operations	**4 622**	**>100**	**10**	1 675	25	3
Total group NPLs	**16 250**	**36**	**36**	4 004	7	7

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. The updated write-off policy has been effective for two financial years and is therefore now mature and in the base. The increase in NPLs due to changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

UPDATE ON THE COVID-19 RELIEF BOOKS

The table below unpacks the number of customers who utilised COVID-19 relief measures.

Customers remain classified as in relief until they settle the full relief amounts (payment holidays or liquidity facilities). As such, balances are shown on a cumulative basis (i.e. still receiving relief (active) as well as prior (closed)). Because corporate relief was provided largely through covenant waivers, facility increases, or new advances, corporate only reflect counters in active relief.

Extended relief relates to customers who had the terms of their relief extended, i.e. were granted additional facilities or where their payment holiday periods were extended.

	As at 31 December 2020						
	Number of customers (thousands)	**Number of accounts (thousands)**	**Underlying gross advances for which relief was provided (R million)**	**Portion of extended relief gross advances (R million)**	**Total portfolio* (gross advances) (R million)**	**% of portfolio under relief**	**% of relief portfolio under extended relief**
Retail**	212.6	694.8	75 763	9 865	466 335	16	13
Commercial	17.6	32.1	20 824	822	132 699	16	4
Corporate	#	#	31 385	13 478	349 954	9	43
UK operations	85.3	85.3	70 589	6 988	289 069	24	10
– Active relief	8.8	8.8	9 639	6 988	289 069	3	72
– Closed relief	76.5	76.5	60 950	n/a	n/a	21	n/a
Total group	315.5	812.2	198 561	31 153	1 275 510	16	16

* *Total group portfolio includes FCC advances.*

** *Includes FNB rest of Africa core banking customers.*

\# *Less than 1 000.*

	As at 30 June 2020				
	Number of customers (thousands)	**Number of accounts (thousands)**	**Underlying gross advances for which relief was provided (R million)**	**Total portfolio* (gross advances) (R million)**	**% of portfolio for which relief was provided**
Retail**	203.3	674.3	68 834	473 102	15
Commercial	16.7	31.0	30 832	135 030	23
Corporate	#	#	58 083	359 827	16
UK operations	86.7	86.7	71 889	306 246	23
Total group	306.7	792.0	229 638	1 311 095	18

* *Total group portfolio includes FCC advances.*

** *Includes FNB rest of Africa core banking customers.*

\# *Less than 1 000.*

The bulk of relief arrangements terminated by the end of September 2020. However, in the retail, commercial and corporate segments, some extended relief was provided, but on a cautious basis with regard to certain industries and self-employed customers.

- **Retail:** The relief book increased 10% to R75.8 billion (June 2020: R65.2 billion), mainly driven by customers who were granted extended relief.
- **Commercial:** The decrease to R20.8 billion (June 2020: R30.8 billion) was mostly driven by clients repaying as they adapted to the environment. Liquidity increased as clients remained conservatively positioned.
- **Corporate:** The aggregate gross exposure of all COVID-19 relief clients (including applications for covenant waivers) reduced to R31.4 billion (June 2020: R58.1 billion), or 9% of total advances, of which R8.8 billion related to reapplications. The current relief amount includes several well-rated clients who continue to approach the bank proactively in the management of their liquidity facilities. Certain sectors are still severely impacted by the COVID-19 lockdown (such as private healthcare, real estate, and hotels and leisure).
- **UK operations:** Active relief consisted only of payment holidays currently outstanding, either in second or third relief requests. Third relief requests are reflected as NPLs. Closed relief refers to those customers whose payment holidays are complete.

At 31 December 2020, of the R198.5 billion balances under relief, only 6% were in stage 3. This reflects an appropriate underwriting approach to relief and the better than expected rebound over the past six months.

FINANCIAL RESOURCE MANAGEMENT

The management of the group's financial resources (FRM), which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of FirstRand's stated growth and return targets and is driven by the group's overall risk appetite.

Group Treasury also manages market risk associated with balance sheet activities within regulatory and management limits, and the group's risk appetite. The aim is to protect earnings without adding to the overall risk profile.

Risk appetite

The group annually reviews its risk-return framework and assesses its performance relative to its stated targets, as well as the bottom-up portfolio risk appetite relative to aggregated constraints.

Against the backdrop of the COVID-19 pandemic, the framework has proven to be robust, especially in respect of measures of resilience relating to funding/liquidity and capital. Returns and earnings volatility were outside of appetite, reflecting the severe nature of the COVID-19 crisis. Consequently, the framework's quantitative measures and portfolio tilt actions are being refined for the transitional period until the group re-enters its long-term return and volatility targets.

The risk return framework also includes qualitative principles designed to support the risk culture of the organisation. The principles support appropriate decision-making which cannot always be adequately captured through policies, frameworks and limits. The qualitative risk principles have also been updated to more closely reflect the group's culture, strategy and approach to emerging risks.

Balance sheet strength

Capital position

Capital ratios for the group and the bank are summarised below.

		Group		Bank*	
		As at 31 December			
%	Internal targets	**2020**	2019	**2020**	2019
Capital**					
CET1	11.0 – 12.0	**12.4**	12.4	**13.5**	13.7
Tier 1	>12.0	**13.1**	13.2	**14.2**	14.4
Total	>14.25	**15.3**	15.6	**16.7**	17.1

* *Including the bank's foreign branches.*

** *Including unappropriated profits and the transitional impact of IFRS 9.*

In response to the COVID-19 pandemic, the Prudential Authority (PA) implemented temporary measures to provide additional capacity to counter economic risks to the financial system and promote ongoing lending to the economy. These measures temporarily reduced the Pillar 2A capital requirement from 1% to 0% as well as the allowance to draw down against the capital conservation buffer, because the PA considers this to be a period of financial stress.

The PA published a proposed directive which reinstates the Pillar 2A requirement of 1% in 2022, as well as requiring the first 1% of the bank's specified domestic systemically important bank (D-SIB) requirement to be met with CET1 capital. Given the proposed D-SIB requirement and reinstatement of Pillar 2A, the group's internal targets still remain appropriate as a maximum D-SIB and fully phased-in Pillar 2A requirement was previously assumed in the target assessment.

The group's Common Equity Tier 1 (CET1) ratio remained strong at 12.4% (December 2019: 12.4%), which is above its internal target range of 11.0% to 12.0%. In line with FRM principles outlined above, both NAV and CET1 have been accretive over the past six months as the group increases its focus on risk weighted assets (RWA) optimisation and efficient use of financial resources.

Key factors impacting the CET1 ratio period-on-period:

- positive earnings generation (greater contribution in the second half of the 2020 calendar year);
- an increase in foreign currency translation reserves given rand depreciation;
- successful financial resource optimisation strategies;
- an increase in RWA mainly from credit, counterparty credit and market risk driven by rand depreciation and rating downgrades, coupled with muted organic growth; and
- the IFRS 9 transitional impact on 1 July 2020.

The group continues to actively manage its capital composition and align its Additional Tier 1 (AT1) and Tier 2 instruments with the group's internal targets. During the period under review, the bank issued R1.4 billion AT1 instruments in the domestic market. The AT1 instruments, together with Tier 2 instruments, are treated as funding, and not used to support risk in the group. It remains the group's intention to continue optimising its regulatory capital composition by issuing AT1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

The World Bank and the SARB appointed PwC to conduct a survey to analyse various aspects relevant to flac instrument requirements. The World Bank published *South Africa: Feasibility and Cost-Benefit Analysis of Using Bail-In as a Recapitalisation Mechanism* in December 2020, covering:

- the point of non-viability versus the point of resolution;
- characteristics and calibration of flac instruments;
- location of issuance;
- pricing considerations; and
- transitional arrangements.

The group also makes adjustments to available regulatory capital resources for certain volatile reserves, expected regulatory and accounting changes that can be estimated, as well as capital ring-fenced and approved for inorganic strategies, providing an economic view of excess capital that is used in strategic decision-making.

Capital allocation and returns

The group's methodology for allocating capital to operating businesses considers internal targets, regulatory capital (average RWA consumption and regulatory deductions), economic capital and NAV. Excess capital above internal target levels is not allocated to business.

A summary of the capital allocated to the group's operating businesses is provided below.

AVERAGE CAPITAL ALLOCATED

	Six months ended 31 December		%	Year ended 30 June
R million	**2020**	2019	change	2020
FNB	**48 215**	45 813	5	46 823
RMB	**37 666**	34 589	9	35 561
WesBank	**8 789**	10 250	(14)	10 239
UK operations*	**23 862**	19 994	19	21 580
FCC/Group Treasury**	**9 297**	8 962	4	8 711
Unallocated capital#	**13 568**	12 593	8	10 714
FirstRand group	**141 397**	132 201	7	133 628

* *Including Aldermore and MotoNovo (front and back books).*

** *Excluding MotoNovo back book.*

\# *Including excess capital.*

In calculating ROEs for performance measurement, the group includes the return on allocated capital in the rest of Africa operations, preference share costs and cost of other capital in the operating businesses' normalised earnings (which are captured in FCC (including Group Treasury) in the segment report). ROEs for the group and its operating businesses are provided in the following table.

ROE

	Six months ended 31 December		Year ended 30 June
%	**2020**	2019	2020
FNB	**30.1**	39.7	25.8
RMB	**16.4**	19.4	15.5
WesBank	**15.2**	18.4	8.0
UK operations*	**8.4**	11.1	3.9
FCC/Group Treasury**	**(8.7)**	(4.6)	(10.2)
FirstRand group	**15.6**	21.2	12.9

* *Including Aldermore and MotoNovo (front and back books). ROEs calculated in pound terms.*

** *Excluding MotoNovo back book.*

With the proposed implementation of the final Basel III reforms, which is a more standardised, or less risk-sensitive, regulatory framework, the group is increasing its focus on the true economic risk introduced to the group's balance sheet. The group is assessing how this economic capital requirement can be allocated to business within the constraints of a regulatory framework. Economic capital principles have been agreed on and a parallel period for the transition to such a framework is being considered.

Liquidity position

Due to the liquidity risk introduced by its business activities, the group manages its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. The group entered the COVID-19 crisis in a strong liquidity position, and the diversification and strength of the deposit franchise resulted in the liquidity position improving during the crisis. The group remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA temporarily reduced the prudential liquidity coverage ratio (LCR) requirement from 100% to 80%. The pandemic continues to negatively affect the South African economy, and key risk metrics and early warning indicators are closely monitored. The group regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. FirstRand continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

The group's portfolio of high-quality liquid assets (HQLA) provides a liquidity buffer against unexpected liquidity stress events or market disruptions and serves to facilitate the changing liquidity needs of the operating businesses. The composition and quantum of available liquid assets are defined behaviourally by considering both the funding liquidity-at-risk and the market liquidity depth of these instruments. Additional liquidity overlays in excess of prudential requirements are determined based on stress testing and scenario analysis of cash inflows and outflows.

The group has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The increase in HQLA was not due to a requirement for larger buffers. Due to changes in market liquidity conditions, the group's markets business increased its client financing activities, which results in larger holdings of securities and a related increase in HQLA. The portfolio of high-quality liquid assets is continuously assessed and actively managed to ensure optimal composition, cost and quantum.

Key prudential liquidity ratios, LCR and the net stable funding ratio (NSFR), for the group and bank are summarised below.

	Group*		Bank*	
	As at 31 December			
%	**2020**	2019	**2020**	2019
LCR				
Regulatory minimum	**80**	100	**80**	100
Actual**	**122**	148	**127**	166
Average available HQLA (R billion)	**327**	277	**299**	247
NSFR				
Regulatory minimum	**100**	100	**100**	100
Actual**	**125**	119	**124**	117

* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. The bank's LCR, NSFR and average available HQLA reflect South African operations only.*

** *Exceeds regulatory minimum requirements with appropriate buffers.*

DIVIDEND STRATEGY

For the year to 30 June 2020, the group did not declare a final dividend given the prevailing guidance from the PA. This guidance was updated on 19 February 2021, indicating that banks may resume dividend distributions, provided the benefits of temporary regulatory relief measures are not used and the resultant capital position supports both the distribution and anticipated growth in the economy.

The FirstRand board has carefully considered this guidance in its decision to declare an interim dividend for the first six months. In anticipation of the expected rebound in the economy and to support the resultant balance sheet growth, the board decided to bring the dividend cover back into the bottom end of its long-term target range of 1.8 to 2.2 times. The board considers this level of payout to be appropriate and sustainable over the medium term.

PROSPECTS

The first six months of the financial year showed a rebound in economic activity compared to the preceding six months to June 2020, however, the group's operating environment remains challenging, particularly given the risk of a third wave heading into winter and the projected timing of vaccinating the desired 67% of the population.

The economy continues to open up and whilst the group expects origination levels to remain muted, transactional volumes are expected to trend back towards pre-pandemic levels by the fourth quarter of the financial year. The benefits of this improving trend are likely to be dampened by the lag effect of rising arrears and NPLs.

The UK began to benefit from a vaccination-driven recovery, notwithstanding the third wave restrictions currently in place. However, as the government furlough and other support schemes run down, the group expects credit migration and arrears in the UK operations to also increase.

The group previously guided that the absolute level of earnings expected for the year to 30 June 2021 would not match earnings achieved for the year to 30 June 2020. However, with global vaccination programmes and the economic rebound from the depths of June 2020 happening faster than anticipated, the group now expects earnings in the current year to exceed those of 2020.

It's important to note that the absolute level of earnings for the six months to December 2020 will likely not be repeated in the second half. In South Africa, this is mainly due to the lag effects of lockdown restrictions resulting in elevated cost of credit, as well as increased pressure on collections as savings are drawn down and earnings remain constrained. In the UK, the benefits of the government support schemes will eventually taper off, resulting in higher arrears and NPLs.

Further, the group's cost growth for the six months to December 2020 benefited from the lower calibration of remuneration costs compared to the previous period. The full-year cost growth will therefore normalise.

EVENTS AFTER REPORTING PERIOD

On 24 February 2021, the Minister of Finance announced in his budget speech that the corporate tax rate will be lowered to 27% for companies with years of assessment commencing on or after 1 April 2022. Refer to page 236 for more information.

The directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report.

BOARD CHANGES

Changes to the directorate are outlined below.

		EFFECTIVE DATE
RETIREMENTS		
MS Bomela	Independent non-executive director	2 December 2020
AT Nzimande	Independent non-executive director	2 December 2020

BOARD COMMITTEE CHANGES

		EFFECTIVE DATE
DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE		
TS Mashego	Chair	3 December 2020
AT Nzimande	Retired*	2 December 2020
NOMINATIONS COMMITTEE		
TS Mashego	Chair	3 December 2020
AT Nzimande	Retired*	2 December 2020
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE		
Z Roscherr	Chair	3 December 2020
TS Mashego	Member	3 December 2020
AT Nzimande	Retired*	2 December 2020

* *Ms AT Nzimande retired at the annual general meeting with effect from 2 December 2020.*

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a gross cash dividend totalling 110.00 cents per ordinary share out of income reserves for the six months ended 31 December 2020.

Dividends

ORDINARY SHARES

	Six months ended 31 December	
Cents per share	**2020**	2019
Interim (declared 3 March 2021)	**110.0**	146.0

The salient dates for the interim ordinary dividend are as follows:

Last day to trade cum-dividend	Monday, 29 March 2021
Shares commence trading ex-dividend	Tuesday, 30 March 2021
Record date	Thursday, 1 April 2021
Payment date	Tuesday, 6 April 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 30 March 2021, and Thursday, 1 April 2021, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate as is applicable if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net interim dividend after deducting 20% tax will be 88.000000 cents per share.

The issued share capital on the declaration date was 5 609 488 001 ordinary shares and 45 000 000 variable rate NCNR B preference shares.

FirstRand's income tax reference number is 9150/201/71/4.

B preference shares

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

DIVIDENDS DECLARED AND PAID

Cents per share	**Preference dividends**
Period:	
26 February 2019 – 26 August 2019	**384.2**
27 August 2019 – 24 February 2020	**374.7**
25 February 2020 – 31 August 2020	**306.0**
1 September 2020 – 22 February 2021	**253.6**

WR JARDINE	**AP PULLINGER**	**C LOW**
Chairman	CEO	Company secretary

3 March 2021

REVIEW OF OPERATIONS

FNB

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and eight countries in the rest of Africa.

FNB's strategy is underpinned by:

- a main-banked client strategy anchored to growing and retaining client relationships using core transactional accounts as a key lever;
- a digital platform providing market-leading digital interfaces to deliver contextual, cost-effective, innovative and integrated financial services offerings to its customers on either an assisted (in-person) or unassisted (self-service) basis;
- using its deep customer relationships, large data and sophisticated data analytics to cross-sell a broad range of relevant financial services products, including banking, insurance and investments;
- applying disciplined credit origination strategies that appropriately support customer requirements and affordability;
- providing innovative savings products to grow customer savings and in turn its retail deposit franchise;
- utilising eBucks generosity to reward customer behaviours, and drive platform adoption and appropriate cross-sell;
- leveraging its mobile virtual network operator (MVNO) to augment customer value propositions, as well as to provide telecommunication services to its customers;
- strategically managing physical points-of-presence that are right-sized, have appropriate coverage and offer cost-efficient assisted engagements with customers on platform; and
- ultimately broadening its financial services offerings and creating an ecosystem of customer interactions and engagements on its platform.

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share, including Namibia, Botswana and Eswatini, and smaller businesses in Mozambique, Zambia, Lesotho and Ghana.

With regard to its Ghana operations, the integration of GHL Bank plc and First National Bank Ghana is progressing in line with the business case. Albeit off a small base, customers grew 25% and deposits increased 81%.

During the prior year, FNB commenced a process to exit Tanzania, as the subsidiary's business model could not appropriately scale given the structure of the market. This process has not yet been concluded – most of the adverse earnings impacts have been accounted for, with a further R187 million impairment cost in the current reporting period.

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised earnings	**7 326**	9 164	(20)	12 228
Normalised profit before tax	**10 657**	13 218	(19)	17 799
– South Africa	**9 948**	12 220	(19)	16 653
– Rest of Africa	**709**	998	(29)	1 146
Total assets	**484 703**	495 224	(2)	487 539
Total liabilities	**476 884**	486 857	(2)	475 280
Stage 3/NPLs as a % of advances	**7.87**	6.20		7.59
Credit loss ratio (%)	**2.61**	1.82		3.08
ROE (%)	**30.1**	39.7		25.8
ROA (%)	**2.99**	3.74		2.50
Cost-to-income ratio (%)	**51.2**	50.0		51.7
Advances margin (%)	**4.24**	4.33		4.27

KEY RATIOS FOR SOUTH AFRICA VS REST OF AFRICA

%	**FNB SA**	**Rest of Africa**
PBT growth	**(19)**	**(29)**
Cost increase	**3**	**(5)**
Advances growth	**–**	**(5)**
Deposit growth	**19**	**16**
Stage 3/NPLs as a % of advances	**7.88**	**7.74**
Credit loss ratio	**2.59**	**2.72**
Cost-to-income ratio	**49.5**	**63.9**
Operating jaws	**(3.1)**	**1.9**

Despite some improvement in the operating environment, overall economic output in South Africa remains well below 2019 levels. Whilst both consumers and businesses remain under pressure, FNB's data does show some signs of a rebound in customer income and financial volumes.

Total FNB normalised earnings declined 20% and its ROE reduced to 30.1%. This performance was driven predominantly by the significant increase in impairments combined with the negative endowment impact on NII due to significant rate cuts across its operating jurisdictions.

NIR growth was subdued due to lower absolute volumes during the lockdown period, higher claims driven by retrenchments and increased mortality as a result of COVID-19, as well as depressed new business origination. Zero headline banking fee base growth, and lower foreign exchange volumes and turnover also contributed to this outcome.

Growth in operating expenses was well contained at 1% despite the continued investment in platform digitisation, insurance, rest of Africa and wealth and investment management (WIM) strategies. Given the pressure on revenue, operating jaws were negative, and the cost-to-income ratio increased to 51.2% compared to 50.0% in the prior period.

Pleasingly, customers continue to save with good deposit growth of 19% and 16% in SA and the rest of Africa, respectively. Advances declined slightly period-on-period. In the consumer segment, risk appetite resulted in a material pull-back given limited credit capacity in lower-income households. Credit strategies focused on managing the in-force portfolio and bolstering collections. New origination focused on good credit quality customers and affordability.

Transaction volumes were significantly affected, as indicated in the following table. However, FNB's platform strategy continues to drive strong momentum in customer adoption of digital interfaces. This is reflected in a 22% increase in FNB app activity over the period.

CHANNEL VOLUMES

	Six months ended 31 December			Year ended 30 June
Thousands of transactions	**2020**	2019	% change	2020
ATM/ADT	**108 523**	121 677	(11)	224 141
Internet banking	**88 840**	93 585	(5)	176 280
Banking app	**184 748**	151 262	22	303 503
Mobile banking (USSD)	**19 444**	22 170	(12)	41 260
Point-of-sale merchants	**316 502**	332 664	(5)	587 152
Card swipes*	**436 585**	466 226	(6)	814 099

* *December 2019 and June 2020 figures were restated to exclude Discovery card swipes.*

SEGMENT RESULTS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised PBT				
Retail	**4 829**	7 267	(34)	9 034
Commercial	**5 119**	4 953	3	7 619
Rest of Africa	**709**	998	(29)	1 146
Total FNB	**10 657**	13 218	(19)	17 799

Retail customers continue to navigate lower overall income, a tough economic environment and lockdown restrictions – all of which have weighed on spending patterns and impacted the ability of some customers to service debt.

FNB commercial delivered resilient earnings growth despite the uncertain business environment. NIR remained flat period-on-period, which is a respectable outcome given that customers in sectors such as tourism, hospitality and commercial property were severely affected by lockdown restrictions.

The rest of Africa results reflect more muted credit growth, significant policy rate cuts and accelerated impairments. Negative cost growth and resilient NIR ameliorated some of these impacts.

The following table unpacks the growth in advances and deposits on a segment basis.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	**%**	**R million**	**%**	**R million**
Retail	**14**	**37 327**	**–**	**(611)**
– Consumer	**10**	**8 848**	**(6)**	**(4 000)**
– Premium	**16**	**28 479**	**1**	**3 389**
Commercial	**24**	**62 607**	**(1)**	**(1 390)**
Rest of Africa	**16**	**6 827**	**(5)**	**(2 776)**
Total FNB	**19**	**106 761**	**(1)**	**(4 777)**

As outlined in the table below, South African customer growth numbers held up well, while customer growth in the rest of Africa remains encouraging. FNB's platform continues to deliver convenience to banked and under-banked users, as evidenced by the eWallet users.

ACTIVE CUSTOMERS AND USERS

	Number of customers at 31 December		%	Number of customers at 30 June
Millions	**2020**	2019	change	2020
Retail	**7.43**	7.28	2	7.20
– Consumer	**5.86**	5.85	–	5.74
– Premium	**1.57**	1.43	10	1.46
Commercial	**1.09**	1.00	9	1.03
SA active customers	**8.52**	8.28	3	8.23
Rest of Africa active customers	**1.82**	1.76	3	1.76
Total active FNB customers	**10.34**	10.04	3	9.99
eWallet transacting base*	**2.83**	2.85	(1)	2.59
Total users	**13.17**	12.89	4	13.26

* *Transacting base refers to a wallet that has received funds and been accessed at least twice in a six-month period. Prior period eWallet figures were restated as a consequence of a data clean-up.*

FNB's ongoing strategy of ensuring retail customers are receiving the right service offering resulted in ongoing migration from the consumer segment to the premium segment. Consumer customer numbers were affected by the aforementioned pull-back in credit appetite, which resulted in some attrition in transactional accounts. Commercial continued to attract new customers.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December		%	Year ended 30 June
R million	**2020**	2019	change	2020
Performing book provisions	**1 445**	101	>100	4 120
NPL provision	**1 050**	1 038	1	3 920
Credit provision increase	**2 495**	1 139	>100	8 040
Modification	**219**	303	(28)	779
Write-off and other	**4 351**	3 913	11	7 489
Post write-off recoveries	**(888)**	(1 089)	(18)	(1 817)
Total impairment charge	**6 177**	4 266	45	14 491

FNB's credit impairment charge increased to R6.2 billion, with the credit loss ratio increasing to 261 bps (December 2019: 182 bps; June 2020: 308 bps). This was driven primarily by the impact of the embedded credit strain of FNB's debt relief portfolios, FLI impacts, and judgemental overlays to cater for the uncertainty around the severity and impact of the COVID-19 second wave in SA.

Although impairments increased period-on-period, on a rolling six-month view, collections performed well. Repayment behaviour on the debt relief books was better than expected in the commercial segment, and in line with expectations in retail. The approach to provisioning has remained conservative. Portfolio-specific overlays focused on ensuring adequate coverage for the current stressed environment, uncertainty relating to loss given default (LGD) levels in secured portfolios, and the expiration of credit protection insurance. Central overlays of R620 million were raised during the period to bolster stage 1 coverage for the total retail and commercial portfolios. This is due to uncertainty related to the severity of the second wave of COVID-19 that credit and macroeconomic models could not accurately capture as at 31 December 2020.

As a result, credit provisions increased R9.4 billion period-on-period, with performing coverage (stage 1 and 2) increasing to 3.18% (December 2019: 1.87%; June 2020: 2.80%).

FNB's NPLs increased 26% period-on-period and 2% since June 2020, which was better than expected (lower inflows and better collections). The NPL increase was driven primarily by:

- underlying economic strain in retail secured and unsecured;
- higher roll rates in the relief portfolios as the relief period expired;
- build-up of technical cures related to customers who are predominantly up to date but who remain in NPL for the remainder of the six- or 12-month curing period;

- higher commercial NPLs due to sector-specific and asset class-specific strain, such as commercial property finance and asset-backed finance, as well as increased small and medium enterprise (SME) NPLs, given lockdown restrictions and clients not qualifying for relief; and
- an increase in distressed restructures in debt counselling portfolios due to the impact of COVID-19 on these customers.

With respect to broadening FNB's financial service offerings, progress continues to be made on the build-out of the insurance and WIM activities.

Despite the significant reduction in new business sales due to the pandemic, particularly on credit life policies, funeral sales have shown good growth. APE grew 9% period-on-period. Three-quarters of life insurance sales in the six-month period originated in branch.

The build-out of the short-term insurance business is progressing well – APE increased 18% period-on-period and the number of policies was up 11%.

NEW BUSINESS APE

	Six months ended 31 December			Six months ended 30 June
R million	**2020**	2019	% change	2020
Funeral	**430**	362	19	300
Core life	**105**	135	(22)	97
Underwritten	**165**	212	(22)	171
Commercial	**5**	18	(72)	29
Standalone products	**705**	727	(3)	597
Credit life	**191**	329	(42)	217
Total	**896**	1 056	(15)	814

FNB's WIM assets under management were flat period-on-period. The investment in platform distribution is assisting progress in client penetration, with good growth in wills, online share trading and Horizon unit trusts. This translated into 18% growth in the account base to over 504 000. The online share trading and stockbroking business delivered a good performance with an increase in assets under execution. Trade values increased from R10 billion to R20 billion period-on-period.

FNB continues to invest in its enterprise-wide platform strategy which focuses on providing market-leading digital interfaces and cost-effective, innovative and integrated financial services to all customers on both an assisted (in-person touchpoints) or unassisted (self-service) basis.

Customers are effectively able to perform most of their financial service requirements digitally. Whether customers choose to engage physically (points-of-presence) or digitally (mobile banking, online banking and the banking app), the platform used in all interactions is the same.

Furthermore, the platform offers "contextual" customer experiences through an ecosystem of offerings that it calls "nav". These are designed to assist customers to "nav-igate" and manage key financial and life matters (i.e. money, houses, vehicles, wellness). The platform also enables customers to digitally and efficiently purchase other non-FNB services such as electricity, mobile data and digital vouchers.

Platform highlights during the past six months are outlined below:

- A new record of 6.02 million (December 2019: 5.91 million) digitally active customers (digital includes mobile banking, online banking and the app).
- The banking app active transacting base exceeding 3.9 million customers for the first time and reaching a new monthly record of 77.9 million logins in December (40.7% higher than December 2019 and 11.4% higher than November 2020). Customers logged in an average of 29 times in the month of December and spent 46 minutes on the app.
- Total digital logins totalled 713.0 million for the six-month period to December 2020, with online and mobile banking logins contributing 71.3 million and 246.9 million, respectively. The app contributed 55% with total logins of 394.8 million.
- Total volumes of transactions through digital interfaces included 88.8 million for online banking, 184.7 million for the banking app and 19.4 million for mobile banking – highlighting the scalability of FNB's platform.

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the UK, the African continent and India. RMB leverages an entrenched origination franchise, a strong market-making and growing distribution product offering, a competitive transactional banking platform and a class-leading private equity track record to ensure delivery of an integrated corporate and investment banking (CIB) value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

RMB FINANCIAL HIGHLIGHTS*

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised earnings	**3 184**	3 406	(7)	5 674
Normalised profit before tax	**4 535**	4 832	(6)	8 113
– South Africa	**3 169**	3 629	(13)	5 919
– Rest of Africa**	**1 366**	1 203	14	2 194
Pre-provision profit	**5 371**	4 950	9	11 467
Total assets	**637 015**	541 400	18	642 436
Total liabilities	**629 034**	533 644	18	631 961
Stage 3/NPLs as a % of advances	**1.08**	1.14		0.87
Credit loss ratio (%)	**0.47**	0.07		0.94
ROE (%)	**16.4**	19.4		15.5
ROA (%)	**0.97**	1.25		0.94
Cost-to-income ratio (%)	**48.4**	49.6		44.2

* *Ashburton was incorporated into RMB as from 1 July 2020 to enable better execution of the investment product offering to corporate and institutional clients. Prior year numbers have been restated to reflect this change.*

** *Includes in-country and cross-border activities.*

RMB REST OF AFRICA STRATEGY

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Profit before tax	**1 366**	1 203	14	2 194
Total advances	**58 869**	58 238	1	69 869
Total deposits	**25 647**	20 662	24	29 588
Credit loss ratio (%)	**0.40**	(0.13)		(1.00)
ROA (%)	**2.58**	2.67		2.18
Cost-to-income ratio (%)	**48.9**	48.7		43.6

RMB delivered a robust operational performance with pre-provision operating profits increasing 9%.

The performance was driven by:

- a strong markets contribution;
- sustained annuity income growth;
- strong core deposit growth of 7%;
- a R260 million profit on a realisation in the principal investments business; and
- improved operating leverage period-on-period.

Continued proactive provisioning in response to the constrained macroeconomic environment and the significant additional uncertainty resulting from the impact of COVID-19 resulted in pre-tax profits decreasing 6% to R4.5 billion. The business continues to be prudently provided, with the performing book coverage ratio increasing from 99 bps to 169 bps (June 2020: 175 bps).

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December		%	Year ended 30 June
R million	**2020**	2019	change	2020
Performing book provisions	**(401)**	(9)	>100	2 893
NPL provision	**1 032**	158	>100	(236)
Credit provision increase	**631**	149	>100	2 657
Write-off and other	**207**	(6)	(>100)	727
Post write-off recoveries	**(2)**	(25)	(92)	(30)
Total impairment charge	**836**	118	>100	3 354

The c. R740 million provisions raised in the prior period on private equity investee loans migrated from performing book to NPLs during the current period.

The rest of Africa portfolio remains key to RMB's growth. The portfolio delivered a strong performance with pre-tax profits of R1.4 billion, which is up 14% on the prior period and contributed 30% of RMB's overall pre-tax profits. The performance benefited from good transactional volume growth given new client acquisition, the recovery of the oil and gas sector, and robust deposit growth albeit at lower margins.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Six months ended 31 December		%	Year ended 30 June
R million	**2020**	2019	change	2020
Banking	**3 084**	3 377	(9)	5 272
Markets	**1 373**	1 084	27	2 320
Private equity	**193**	290	(33)	443
Other**	**(115)**	81	(>100)	78
Total RMB	**4 535**	4 832	(6)	8 113

* *Refer to additional activity and business disclosure on page 50.*

** *Other includes support and head office activities.*

The banking business's profits declined 9%, largely impacted by continued conservative credit provisioning. Notwithstanding this, investment banking generated a solid operational performance, supported by resilient average advances growth at healthy margins. Robust fee income was generated from advisory mandates, whilst structuring revenue remained muted given slower deal origination. Overall performance was further bolstered by one-off revenue generated from a realisation within the principal investment portfolio.

Corporate transactional banking delivered a resilient performance with strong average deposit growth of 23%, however, margin contraction following multiple rate cuts during the period impacted NII across most jurisdictions. Domestic transactional volumes, particularly in merchant services, EFT and cash, were negatively impacted by the lockdown restrictions as volumes came under pressure. NIR also came under pressure as transactional volumes moderated. Offsetting this, strong new client acquisition, particularly in the rest of Africa, contributed to volume growth.

The markets business delivered an excellent performance, up 27% on the prior period with continued momentum in local market activity. This was driven by fixed income, particularly inflation and options markets, coupled with commodities trading, although partially offset by a reduction in the London-Nigeria corridor flow volumes and market activity.

The performance was further aided by cross-border, foreign exchange and fixed income, inclusive of structured credit. Corporate foreign exchange benefited from improved cross-sell.

Despite an 18% increase in annuity income, the performance of private equity was adversely impacted by increased credit provisioning on loans to specific investee companies. Growth in annuity income was primarily driven by older vintages benefiting from the recovery of economic activity as lockdown restrictions were eased, whilst newer vintages also made a contribution. The quality and diversity of the portfolio are reflected in its unrealised value of R3.9 billion (December 2019: R3.8 billion; June 2020: R3.3 billion). Acquisition opportunities were muted during the period, resulting in limited new investments.

Ashburton was incorporated into RMB from 1 July 2020 to enable better execution of the investment product offering to corporate and institutional clients. Assets under management (AUM) for the period under review increased 9% to R84 billion, with strong growth in money market products. Overall performance improved 70% period-on-period.

WESBANK

WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. WesBank's strategy is focused on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. This gives WesBank a market-leading point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

	Six months ended 31 December		%	Year ended 30 June
R million	**2020**	2019	change	2020
Normalised earnings	**678**	966	(30)	843
Normalised profit before tax	**967**	1 373	(30)	1 226
Total assets	**130 446**	141 262	(8)	133 372
Total liabilities	**129 511**	139 060	(7)	131 323
Stage 3/NPLs as a % of advances	**9.36**	5.73		8.49
Credit loss ratio (%)	**1.76**	1.27		2.28
ROE (%)	**15.2**	18.4		8.0
ROA (%)	**1.01**	1.35		0.60
Cost-to-income ratio (%)	**50.1**	49.0		50.0
Net interest margin (%)	**3.22**	3.35		3.45

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT*

	Six months ended 31 December		%	Year ended 30 June
R million	**2020**	2019	change	2020
Normalised PBT				
Retail VAF**	**793**	1 203	(34)	979
Corporate and commercial	**174**	170	2	247
Total WesBank	**967**	1 373	(30)	1 226

* *Refer to additional segmental disclosure on page 51.*

** *Includes MotoVantage.*

WesBank's profit before tax (PBT) was R967 million for the six months ended 31 December 2020, compared to R1.37 billion in the previous period (a 30% decrease), driven primarily by period-on-period increases in impairments and lower advances growth.

WesBank advances declined 6%, with retail vehicle asset finance (VAF) down 5% and corporate and commercial down 11%. WesBank maintained its conservative risk appetite and this, together with the current muted macro environment, resulted in new business production decreasing 21%. Overall NII reduced 7% period-on-period.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December		%	Year ended 30 June
R million	**2020**	2019	change	2020
Performing book provisions	**(148)**	(28)	>100	10
NPL provision	**465**	(3)	(>100)	1 663
Credit provision increase	**317**	(31)	(>100)	1 673
Modification	**75**	192	(61)	(3)
Write-off and other	**881**	895	(2)	1 695
Post write-off recoveries	**(130)**	(197)	(34)	(342)
Total impairment charge	**1 143**	859	33	3 023

Impairments increased R284 million (33%), driven by rising arrears and NPLs. This was due to continued strain on consumers' disposable income and the impact of lockdown restrictions. Arrears have stabilised since June 2020 as the economy improved, and are nearly back to pre-COVID-19 levels. Given the level of current uncertainty, with delays in asset repossessions and write-offs, additional out-of-model provisions have been raised.

Impairment coverage increased to 5.20% (June 2020: 4.86%) despite debit order rates improving and most customers successfully exiting payment relief.

NPLs remain elevated, despite absolute inflows into NPLs reducing since June 2020, with positive momentum in volumes of customers starting to pay their instalments. Whilst there has been a catch-up on the repossession backlog created by court closures, delays in write-off persist and, as such, there is increased ageing of the NPL book.

WesBank continues to focus on growing its full maintenance leasing (FML) business and controlling operational expenditure. It also has invested in digital process improvements, which included the WesBank app launched in late 2020.

The cost containment drive resulted in reduced headcount and process efficiencies, contributing to an overall cost reduction of 2% period-on-period. However, the cost-to-income ratio has marginally deteriorated due to revenue pressures.

UK OPERATIONS (ALDERMORE AND TOTAL MOTONOVO)

Aldermore is a UK specialist lender focusing on lending in six areas: asset finance, invoice finance, SME commercial mortgages (including property development), residential mortgages, buy-to-let mortgages and vehicle finance (MotoNovo). It is funded primarily by deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online and by phone.

UK OPERATIONS FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
£ million	**2020**	2019	% change	2020
Normalised earnings	**50**	63	(21)	44
Normalised profit before tax	**68**	88	(23)	74
Total assets	**17 399**	16 515	5	17 008
Total liabilities	**16 256**	15 413	5	15 941
Stage 3/NPLs as a % of advances (%)	**2.89**	1.41		2.18
Credit loss ratio (%)	**0.81**	0.53		1.24
ROE (%)	**8.4**	11.1		3.9
ROA (%)	**0.54**	0.76		0.26
Cost-to-income ratio (%)	**46.7**	47.4		46.4

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Six months ended 31 December			Year ended 30 June
£ million	**2020**	2019	% change	2020
Normalised PBT				
Asset finance	**23.6**	21.8	8	17.2
Invoice finance	**6.7**	7.8	(14)	15.7
SME commercial mortgages	**25.1**	21.8	15	30.6
Buy-to-let mortgages	**38.0**	60.0	(37)	107.6
Residential mortgages	**21.4**	20.0	7	39.7
Central functions*	**(59.1)**	(59.8)	(1)	(120.9)
Aldermore operational PBT	**55.7**	71.6	(22)	89.9
Fair value hedge portfolio	**(4.7)**	(4.4)	7	(8.1)
Aldermore PBT	**51.0**	67.2	(24)	81.8
MotoNovo PBT	**17.1**	20.8	(18)	(8.1)
Total UK operations PBT	**68.1**	88.0	(23)	73.7

* *Adjusted for the fair value hedge portfolio loss of £4.7 million in December 2020, £4.4 million in December 2019 and £8.1 million in June 2020.*

Normalised earnings decreased 21% in pound terms to £50 million and 11% in rand terms to R1 043 million, driven by increased impairment charges. This was due to the more adverse macroeconomic environment; the implementation of a new FLI model, which incorporates a wider range of macroeconomic factors; and judgemental out-of-model adjustments to reflect ongoing volatility in the market and the uncertain macroeconomic outlook. The UK operations produced an ROE of 8.4% (December 2019: 11.1%; June 2020: 3.9%).

The operational performance remained resilient, driven by:

- Flat advances at £14.4 billion.
- Customer deposits grew 21% to £10.9 billion, supporting growth in VAF, and savings levels in the UK increased given increased economic uncertainty.
- Cost of funding was lower due to the proactive management of funding mix and the benefit of rate cuts.
- Overall customer growth of 7% was driven mainly by liability gathering.
- Operating expenses decreased given reduced travel spend and lower staff costs, partly offset by ongoing investment in platform and process enhancements.

Aldermore's core customer segments, retail and commercial, were supported through COVID-19 payment holidays. Most of the forbearance was granted in the buy-to-let mortgage, residential mortgage, asset finance and vehicle finance portfolios.

The pound credit loss ratio increased to 81 bps, however, it has moderated off the high of 124 bps at June 2020, which was informed by forward-looking assumptions, and increasing arrears and NPLs. NPLs and arrears continued to increase during this period, driving the increase in impairments.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December			Year ended 30 June
£ million	**2020**	2019	% change	2020
Performing book provisions	**(12.9)**	4.6	(>100)	85.4
NPL provision	**41.3**	6.4	>100	31.3
Credit provision increase	**28.4**	11.0	>100	116.7
Modification	**–**	–	–	11.8
Write-off and other	**35.5**	27.2	31	50.7
Post write-off recoveries	**(5.5)**	(1.1)	>100	(5.8)
Total impairment charge	**58.4**	37.1	57	173.4

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2020**	**% com-position**	2019	% com-position	% change	2020	% com-position
Retail	**4 193**	**38**	6 442	46	(35)	7 407	43
– FNB*	**3 640**		5 598			6 742	
– WesBank	**553**		844			665	
Commercial	**3 811**	**35**	3 688	27	3	5 664	33
– FNB	**3 686**		3 566			5 486	
– WesBank	**125**		122			178	
Corporate and investment banking	**3 184**	**29**	3 406	24	(7)	5 674	33
– RMB**	**3 184**		3 406			5 674	
UK operations#	**1 043**	**9**	1 177	8	(11)	865	5
– Aldermore#,†	**770**		917			1 020	
– MotoNovo#	**273**		260			(155)	
Other	**(1 189)**	**(11)**	(704)	(5)	69	(2 345)	(14)
– FCC (including Group Treasury)**,#	**(901)**		(238)			(1 442)	
– Other equity instrument holders	**(288)**		(466)			(903)	
Normalised earnings	**11 042**	**100**	14 009	100	(21)	17 265	100

* *Includes FNB rest of Africa.*

** *Ashburton's results are now reflected in RMB, previously reported in FCC. Comparatives have been restated for this change.*

During May 2019, a new legal entity, MotoNovo Finance Limited, was established under the Aldermore group where all new MotoNovo business since May 2019 has been originated (also referred to as the MotoNovo front book). In the UK operations management view, shown in the table above and on pages 52 to 54, Aldermore refers to Aldermore excluding MotoNovo front book and MotoNovo refers to the standalone performance of MotoNovo, which includes the front book and back book. This differs from the segment report disclosed on pages 38 to 49 as MotoNovo (front book) is included under Aldermore and MotoNovo (back book) is included in FCC (including Group Treasury). The 2019 figures for FCC and Aldermore in the table above have been restated to reflect the management view of total UK operations.

† *After the dividend on the contingent convertible securities of R91 million (December 2019: R32 million and June 2020: R242 million).*

Segment report

for the six months ended 31 December 2020

	Retail and commercial							
	FNB							
	Retail					Commercial	FNB rest of Africa	**Total FNB**
R million	Residential mortgages	Card	Total personal loans*	Retail other	**Retail**			
Net interest income before impairment of advances	2 577	1 470	3 354	3 467	**10 868**	6 273	1 923	**19 064**
Impairment charge	(529)	(781)	(1 944)	(1 304)	**(4 558)**	(884)	(735)	**(6 177)**
Net interest income after impairment of advances	2 048	689	1 410	2 163	**6 310**	5 389	1 188	**12 887**
Non-interest revenue	62	1 270	421	7 659	**9 412**	4 692	2 232	**16 336**
Income from operations	2 110	1 959	1 831	9 822	**15 722**	10 081	3 420	**29 223**
Operating expenses	(883)	(1 085)	(1 317)	(7 264)	**(10 549)**	(4 941)	(2 654)	**(18 144)**
Net income from operations	1 227	874	514	2 558	**5 173**	5 140	766	**11 079**
Share of profit of associates and joint ventures after tax	–	–	14	23	**37**	–	–	**37**
Income before tax	1 227	874	528	2 581	**5 210**	5 140	766	**11 116**
Indirect tax	(8)	(19)	(53)	(301)	**(381)**	(21)	(57)	**(459)**
Profit before tax	1 219	855	475	2 280	**4 829**	5 119	709	**10 657**
Income tax expense	(341)	(239)	(133)	(639)	**(1 352)**	(1 433)	(260)	**(3 045)**
Profit for the period	878	616	342	1 641	**3 477**	3 686	449	**7 612**
Attributable to								
Ordinary equityholders	878	616	342	1 641	**3 477**	3 686	163	**7 326**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	286	**286**
Profit for the period	878	616	342	1 641	**3 477**	3 686	449	**7 612**
Attributable earnings to ordinary equityholders	878	616	342	1 641	**3 477**	3 686	163	**7 326**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	878	616	342	1 641	**3 477**	3 686	163	**7 326**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity-related	–	–	–	–	**–**	–	–	**–**
Normalised earnings^	878	616	342	1 641	**3 477**	3 686	163	**7 326**

The segmental analysis is based on the management accounts for the respective segments.

* *Include DirectAxis normalised earnings of R207 million.*

** *Refer to additional segmental disclosure on page 51.*

Refer to additional activity and business disclosure on page 50.

† *Refer to additional segmental disclosure on page 52, which includes MotoNovo (back book) within FCC.*

‡ *FCC represents group-wide functions.*

^ *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, the cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 169.*

Retail and commercial		Corporate and institutional					
WesBank**	**Retail and commercial**	**RMB#**	**Aldermore†**	FCC (including Group Treasury) and other‡	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
2 450	**21 514**	**4 758**	**4 496**	1 249	**32 017**	(466)	**31 551**
(1 143)	**(7 320)**	**(836)**	**(1 045)**	(213)	**(9 414)**	–	**(9 414)**
1 307	**14 194**	**3 922**	**3 451**	1 036	**22 603**	(466)	**22 137**
1 694	**18 030**	**5 209**	**285**	(1 683)	**21 841**	572	**22 413**
3 001	**32 224**	**9 131**	**3 736**	(647)	**44 444**	106	**44 550**
(2 151)	**(20 295)**	**(5 112)**	**(2 411)**	(915)	**(28 733)**	13	**(28 720)**
850	**11 929**	**4 019**	**1 325**	(1 562)	**15 711**	119	**15 830**
150	**187**	**595**	**6**	(195)	**593**	108	**701**
1 000	**12 116**	**4 614**	**1 331**	(1 757)	**16 304**	227	**16 531**
(33)	**(492)**	**(79)**	**(106)**	(37)	**(714)**	–	**(714)**
967	**11 624**	**4 535**	**1 225**	(1 794)	**15 590**	227	**15 817**
(271)	**(3 316)**	**(1 270)**	**(249)**	1 086	**(3 749)**	(139)	**(3 888)**
696	**8 308**	**3 265**	**976**	(708)	**11 841**	88	**11 929**
678	**8 004**	**3 184**	**885**	(1 031)	**11 042**	90	**11 132**
–	**–**	**–**	**91**	288	**379**	–	**379**
18	**304**	**81**	**–**	35	**420**	(2)	**418**
696	**8 308**	**3 265**	**976**	(708)	**11 841**	88	**11 929**
678	**8 004**	**3 184**	**885**	(1 031)	**11 042**	90	**11 132**
–	**–**	**–**	**–**	–	**–**	22	**22**
678	**8 004**	**3 184**	**885**	(1 031)	**11 042**	112	**11 154**
–	**–**	**–**	**–**	–	**–**	41	**41**
–	**–**	**–**	**–**	–	**–**	(96)	**(96)**
–	**–**	**–**	**–**	–	**–**	(55)	**(55)**
–	**–**	**–**	**–**	–	**–**	(2)	**(2)**
678	**8 004**	**3 184**	**885**	(1 031)	**11 042**	–	**11 042**

Segment report continued

for the six months ended 31 December 2020

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB rest of Africa	**Total FNB**
Cost-to-income ratio (%)	33.5	39.6	34.8	65.2	**51.9**	45.1	63.9	**51.2**
Diversity ratio (%)	2.3	46.4	11.5	68.9	**46.5**	42.8	53.7	**46.2**
Credit loss ratio (%)	0.47	5.14	9.36	15.76	**2.91**	1.65	2.72	**2.61**
Stage 3/NPLs as a % of advances (%)	5.43	12.71	19.19	14.87	**8.45**	6.22	7.74	**7.87**
Consolidated income statement includes:								
Depreciation	(4)	(4)	(11)	(1 143)	**(1 162)**	(90)	(228)	**(1 480)**
Amortisation	–	(6)	(4)	(47)	**(57)**	–	(11)	**(68)**
Net impairment charges	–	–	–	(9)	**(9)**	–	–	**(9)**
Consolidated statement of financial position includes:								
Advances (before impairments)	224 409	30 535	41 174	16 358	**312 476**	106 012	52 043	**470 531**
– Normal advances (AC and FV)	224 409	30 535	41 174	16 358	**312 476**	106 012	52 043	**470 531**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
Stage 3/NPLs	12 183	3 882	7 902	2 432	**26 399**	6 594	4 029	**37 022**
Investment in associated companies	–	–	318	426	**744**	–	–	**744**
Investment in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	624	6 622	7	293 453	**300 706**	319 374	50 296	**670 376**
Total assets	220 094	26 169	33 822	43 308	**323 393**	102 922	58 388	**484 703**
Total liabilities[‡]	220 073	26 468	34 591	37 052	**318 184**	101 246	57 454	**476 884**
Capital expenditure	2	5	3	870	**880**	93	219	**1 192**

The segmental analysis is based on the management accounts for the respective segments.

* *Refer to additional segmental disclosure on page 51.*

** *Refer to additional activity and business disclosure on page 50.*

[#] *Refer to additional segmental disclosure on page 52, which includes MotoNovo (back book) within FCC.*

[†] *FCC represents group-wide functions.*

[‡] *Total liabilities are net of interdivisional balances.*

Retail and commercial		Corporate and institutional					
WesBank*	**Retail and commercial**	**RMB****	**Aldermore#**	FCC (including Group Treasury) and other†	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
50.1	**51.1**	**48.4**	**50.4**	(>100)	**52.8**	–	**52.5**
42.9	**45.9**	**55.0**	**6.1**	(>100)	**41.2**	–	**42.3**
1.76	**2.43**	**0.47**	**0.78**	0.63	**1.46**	–	**1.46**
9.36	**8.19**	**1.08**	**2.60**	2.56	**4.80**	–	**4.80**
(481)	**(1 961)**	**(71)**	**(100)**	(5)	**(2 137)**	–	**(2 137)**
(33)	**(101)**	**(99)**	**(26)**	(206)	**(432)**	–	**(432)**
(8)	**(17)**	**(10)**	**(11)**	(187)	**(225)**	(2)	**(227)**
128 503	**599 034**	**349 954**	**265 291**	61 231	**1 275 510**	–	**1 275 510**
118 529	**589 060**	**349 954**	**256 651**	47 480	**1 243 145**	–	**1 243 145**
9 974	**9 974**	**–**	**8 640**	13 751	**32 365**	–	**32 365**
12 025	**49 047**	**3 780**	**6 888**	1 570	**61 285**	–	**61 285**
2 327	**3 071**	**4 039**	**111**	(19)	**7 202**	–	**7 202**
–	**–**	**2 097**	**–**	(17)	**2 080**	45	**2 125**
52	**670 428**	**260 333**	**293 286**	332 857	**1 556 904**	–	**1 556 904**
130 446	**615 149**	**637 015**	**326 109**	371 504	**1 949 777**	(8)	**1 949 769**
129 511	**606 395**	**629 034**	**302 911**	249 987	**1 788 327**	–	**1 788 327**
579	**1 771**	**146**	**312**	12	**2 241**	–	**2 241**

Segment report continued

for the six months ended 31 December 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans*	Retail other	**Retail**	Commercial	FNB rest of Africa	**Total FNB**
Net interest income before impairment of advances	2 440	1 351	3 620	3 697	**11 108**	5 853	2 145	**19 106**
Impairment charge	(243)	(618)	(1 661)	(733)	**(3 255)**	(589)	(422)	**(4 266)**
Net interest income after impairment of advances	2 197	733	1 959	2 964	**7 853**	5 264	1 723	**14 840**
Non-interest revenue	95	1 101	538	8 071	**9 805**	4 684	2 135	**16 624**
Income from operations	2 292	1 834	2 497	11 035	**17 658**	9 948	3 858	**31 464**
Operating expenses	(977)	(1 148)	(1 488)	(6 530)	**(10 143)**	(4 966)	(2 789)	**(17 898)**
Net income from operations	1 315	686	1 009	4 505	**7 515**	4 982	1 069	**13 566**
Share of profit of associates and joint ventures after tax	–	–	37	(6)	**31**	2	2	**35**
Income before tax	1 315	686	1 046	4 499	**7 546**	4 984	1 071	**13 601**
Indirect tax	(10)	(16)	(32)	(221)	**(279)**	(31)	(73)	**(383)**
Profit before tax	1 305	670	1 014	4 278	**7 267**	4 953	998	**13 218**
Income tax expense	(365)	(188)	(284)	(1 198)	**(2 035)**	(1 387)	(317)	**(3 739)**
Profit for the period	940	482	730	3 080	**5 232**	3 566	681	**9 479**
Attributable to								
Ordinary equityholders	940	482	730	3 080	**5 232**	3 566	366	**9 164**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	315	**315**
Profit for the period	940	482	730	3 080	**5 232**	3 566	681	**9 479**
Attributable earnings to ordinary equityholders	940	482	730	3 080	**5 232**	3 566	366	**9 164**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	940	482	730	3 080	**5 232**	3 566	366	**9 164**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity-related	–	–	–	–	**–**	–	–	**–**
Normalised earnings^	940	482	730	3 080	**5 232**	3 566	366	**9 164**

The segmental analysis is based on the management accounts for the respective segments.

* *Include DirectAxis normalised earnings of R371 million.*

** *Refer to additional segmental disclosure on page 51.*

\# *Refer to additional activity and business disclosure on page 50.*

† *Refer to additional segmental disclosure on page 53, which includes MotoNovo (back book) within FCC.*

‡ *FCC represents group-wide functions.*

^ *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, the cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 169.*

Retail and commercial		Corporate and institutional					
WesBank**	Retail and commercial	RMB#	Aldermore†	FCC (including Group Treasury) and other‡	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
2 621	21 727	4 514	3 368	2 284	31 893	(291)	31 602
(859)	(5 125)	(118)	(480)	(211)	(5 934)	–	(5 934)
1 762	16 602	4 396	2 888	2 073	25 959	(291)	25 668
1 663	18 287	5 000	436	(1 667)	22 056	117	22 173
3 425	34 889	9 396	3 324	406	48 015	(174)	47 841
(2 185)	(20 083)	(4 967)	(2 133)	(1 175)	(28 358)	131	(28 227)
1 240	14 806	4 429	1 191	(769)	19 657	(43)	19 614
176	211	509	5	(198)	527	4	531
1 416	15 017	4 938	1 196	(967)	20 184	(39)	20 145
(43)	(426)	(106)	(100)	(102)	(734)	–	(734)
1 373	14 591	4 832	1 096	(1 069)	19 450	(39)	19 411
(385)	(4 124)	(1 353)	(267)	1 253	(4 491)	13	(4 478)
988	10 467	3 479	829	184	14 959	(26)	14 933
966	10 130	3 406	797	(324)	14 009	(27)	13 982
–	–	–	32	466	498	–	498
22	337	73	–	42	452	1	453
988	10 467	3 479	829	184	14 959	(26)	14 933
966	10 130	3 406	797	(324)	14 009	(27)	13 982
–	–	–	–	–	–	5	5
966	10 130	3 406	797	(324)	14 009	(22)	13 987
–	–	–	–	–	–	76	76
–	–	–	–	–	–	(8)	(8)
–	–	–	–	–	–	(46)	(46)
–	–	–	–	–	–	–	–
966	10 130	3 406	797	(324)	14 009	–	14 009

Segment report continued

for the six months ended 31 December 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB rest of Africa	**Total FNB**
Cost-to-income ratio (%)	38.5	46.8	35.5	55.5	**48.4**	47.1	65.1	**50.0**
Diversity ratio (%)	3.7	44.9	13.7	68.6	**47.0**	44.5	49.9	**46.6**
Credit loss ratio (%)	0.22	4.25	8.29	8.12	**2.11**	1.11	1.54	**1.82**
Stage 3/NPLs as a % of advances (%)	4.06	8.83	15.22	11.30	**6.39**	5.39	6.65	**6.20**
Consolidated income statement includes:								
Depreciation	(5)	(5)	(18)	(1 054)	**(1 082)**	(72)	(253)	**(1 407)**
Amortisation	–	(7)	(8)	(40)	**(55)**	–	(3)	**(58)**
Net impairment charges	–	–	–	–	**–**	–	–	**–**
Consolidated statement of financial position includes:								
Advances (before impairments)	223 979	30 098	40 796	18 214	**313 087**	107 402	54 819	**475 308**
– Normal advances (AC and FV)	223 979	30 098	40 796	18 214	**313 087**	107 402	54 819	**475 308**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
Stage 3/NPLs	9 086	2 659	6 208	2 059	**20 012**	5 787	3 648	**29 447**
Investment in associated companies	–	–	348	392	**740**	–	14	**754**
Investment in joint ventures	–	–	–	–	**–**	7	–	**7**
Total deposits (including non-recourse deposits)	526	4 109	4	258 740	**263 379**	256 767	43 469	**563 615**
Total assets	221 323	27 249	34 885	45 816	**329 273**	107 058	58 893	**495 224**
Total liabilities[‡]	221 247	27 631	37 211	37 285	**323 374**	105 357	58 126	**486 857**
Capital expenditure	6	20	27	1 343	**1 396**	140	375	**1 911**

The segmental analysis is based on the management accounts for the respective segments.

* *Refer to additional segmental disclosure on page 51.*

** *Refer to additional activity and business disclosure on page 50.*

[#] *Refer to additional segmental disclosure on page 53, which includes MotoNovo (back book) within FCC.*

[†] *FCC represents group-wide functions.*

[‡] *Total liabilities are net of interdivisional balances.*

Retail and commercial		Corporate and institutional					
WesBank*	**Retail and commercial**	**RMB ****	**Aldermore#**	FCC (including Group Treasury) and other†	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
49.0	**49.9**	**49.6**	**56.0**	>100	**52.1**	–	**52.0**
41.2	**46.0**	**55.0**	**11.6**	(>100)	**41.5**	–	**41.8**
1.27	**1.70**	**0.07**	**0.46**	0.46	**0.95**	–	**0.95**
5.73	**6.09**	**1.14**	**1.20**	1.42	**3.58**	–	**3.58**
(408)	**(1 815)**	**(72)**	**(79)**	(5)	**(1 971)**	(17)	**(1 988)**
(23)	**(81)**	**(55)**	**(35)**	(226)	**(397)**	–	**(397)**
(4)	**(4)**	**(7)**	**–**	(1)	**(12)**	1	**(11)**
136 560	**611 868**	**340 808**	**222 717**	83 933	**1 259 326**	–	**1 259 326**
126 410	**601 718**	**340 808**	**206 878**	57 713	**1 207 117**	–	**1 207 117**
10 150	**10 150**	**–**	**15 839**	26 220	**52 209**	–	**52 209**
7 824	**37 271**	**3 892**	**2 677**	1 195	**45 035**	–	**45 035**
2 421	**3 175**	**3 710**	**97**	30	**7 012**	–	**7 012**
6	**13**	**2 020**	**–**	(17)	**2 016**	54	**2 070**
56	**563 671**	**245 641**	**234 012**	395 264	**1 438 588**	–	**1 438 588**
141 262	**636 486**	**541 400**	**261 938**	276 561	**1 716 385**	(28)	**1 716 357**
139 060	**625 917**	**533 644**	**240 947**	165 542	**1 566 050**	–	**1 566 050**
1 829	**3 740**	**136**	**33**	6	**3 915**	–	**3 915**

Segment report continued

for the year ended 30 June 2020

	Retail and commercial							
	FNB							
	Retail					Commercial	FNB rest of Africa	Total FNB
R million	Residential mortgages	Card	Total personal loans*	Retail other	Retail			
Net interest income before impairment of advances	4 819	2 729	7 146	7 246	**21 940**	11 543	4 340	**37 823**
Impairment charge	(1 411)	(1 997)	(4 899)	(1 666)	**(9 973)**	(2 949)	(1 569)	**(14 491)**
Net interest income after impairment of advances	3 408	732	2 247	5 580	**11 967**	8 594	2 771	**23 332**
Non-interest revenue	160	1 968	992	14 716	**17 836**	8 717	4 066	**30 619**
Income from operations	3 568	2 700	3 239	20 296	**29 803**	17 311	6 837	**53 951**
Operating expenses	(1 896)	(2 233)	(2 805)	(13 341)	**(20 275)**	(9 642)	(5 535)	**(35 452)**
Net income from operations	1 672	467	434	6 955	**9 528**	7 669	1 302	**18 499**
Share of profit of associates and joint ventures after tax	–	–	50	14	**64**	1	1	**66**
Income before tax	1 672	467	484	6 969	**9 592**	7 670	1 303	**18 565**
Indirect tax	(16)	(34)	(49)	(459)	**(558)**	(51)	(157)	**(766)**
Profit before tax	1 656	433	435	6 510	**9 034**	7 619	1 146	**17 799**
Income tax expense	(464)	(122)	(122)	(1 822)	**(2 530)**	(2 133)	(463)	**(5 126)**
Profit for the year	1 192	311	313	4 688	**6 504**	5 486	683	**12 673**
Attributable to								
Ordinary equityholders	1 192	311	313	4 688	**6 504**	5 486	238	**12 228**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	445	**445**
Profit for the year	1 192	311	313	4 688	**6 504**	5 486	683	**12 673**
Attributable earnings to ordinary equityholders	1 192	311	313	4 688	**6 504**	5 486	238	**12 228**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 192	311	313	4 688	**6 504**	5 486	238	**12 228**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity-related	–	–	–	–	**–**	–	–	**–**
Normalised earnings^	1 192	311	313	4 688	**6 504**	5 486	238	**12 228**

The segmental analysis is based on the management accounts for the respective segments.

* *Include DirectAxis normalised earnings of R121 million.*

** *Refer to additional segmental disclosure on page 51.*

\# *Refer to additional activity and business disclosure on page 50.*

† *Refer to additional segmental disclosure on page 54, which includes MotoNovo (back book) within FCC.*

‡ *FCC represents group-wide functions.*

^ *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, the cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 169.*

Retail and commercial		Corporate and institutional					
WesBank **	**Retail and commercial**	**RMB#**	**Aldermore†**	FCC (including Group Treasury) and other‡	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
5 297	**43 120**	**9 083**	**7 249**	3 399	**62 851**	64	**62 915**
(3 023)	**(17 514)**	**(3 354)**	**(2 577)**	(938)	**(24 383)**	–	**(24 383)**
2 274	**25 606**	**5 729**	**4 672**	2 461	**38 468**	64	**38 532**
3 367	**33 986**	**11 288**	**815**	(3 842)	**42 247**	(556)	**41 691**
5 641	**59 592**	**17 017**	**5 487**	(1 381)	**80 715**	(492)	**80 223**
(4 296)	**(39 748)**	**(9 252)**	**(4 307)**	(2 349)	**(55 656)**	380	**(55 276)**
1 345	**19 844**	**7 765**	**1 180**	(3 730)	**25 059**	(112)	**24 947**
(73)	**(7)**	**545**	**10**	(341)	**207**	(178)	**29**
1 272	**19 837**	**8 310**	**1 190**	(4 071)	**25 266**	(290)	**24 976**
(46)	**(812)**	**(197)**	**(234)**	(105)	**(1 348)**	–	**(1 348)**
1 226	**19 025**	**8 113**	**956**	(4 176)	**23 918**	(290)	**23 628**
(343)	**(5 469)**	**(2 272)**	**(200)**	3 067	**(4 874)**	26	**(4 848)**
883	**13 556**	**5 841**	**756**	(1 109)	**19 044**	(264)	**18 780**
843	**13 071**	**5 674**	**514**	(1 994)	**17 265**	(244)	**17 021**
–	**–**	**–**	**242**	903	**1 145**	–	**1 145**
40	**485**	**167**	**–**	(18)	**634**	(20)	**614**
883	**13 556**	**5 841**	**756**	(1 109)	**19 044**	(264)	**18 780**
843	**13 071**	**5 674**	**514**	(1 994)	**17 265**	(244)	**17 021**
–	**–**	**–**	**–**	–	**–**	305	**305**
843	**13 071**	**5 674**	**514**	(1 994)	**17 265**	61	**17 326**
–	**–**	**–**	**–**	–	**–**	77	**77**
–	**–**	**–**	**–**	–	**–**	65	**65**
–	**–**	**–**	**–**	–	**–**	(118)	**(118)**
–	**–**	**–**	**–**	–	**–**	(85)	**(85)**
843	**13 071**	**5 674**	**514**	(1 994)	**17 265**	–	**17 265**

Segment report continued

for the year ended 30 June 2020

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB rest of Africa	**Total FNB**
Cost-to-income ratio (%)	38.1	47.5	34.3	60.7	**50.9**	47.6	65.8	**51.7**
Diversity ratio (%)	3.2	41.9	12.7	67.0	**44.9**	43.0	48.4	**44.8**
Credit loss ratio (%)	0.64	6.85	12.06	9.62	**3.24**	2.77	2.83	**3.08**
Stage 3/NPLs as a % of advances (%)	5.20	12.16	17.73	13.19	**7.97**	6.51	7.51	**7.59**
Consolidated income statement includes:								
Depreciation	(7)	(10)	(26)	(2 221)	**(2 264)**	(165)	(478)	**(2 907)**
Amortisation	–	(15)	(18)	(95)	**(128)**	–	(6)	**(134)**
Net impairment charges	–	–	(1)	(7)	**(8)**	(1)	(3)	**(12)**
Consolidated statement of financial position includes:								
Advances (before impairments)	224 404	30 210	41 874	16 732	**313 220**	107 916	55 868	**477 004**
– Normal advances (AC and FV)	224 404	30 210	41 874	16 732	**313 220**	107 916	55 868	**477 004**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
Stage 3/NPLs	11 662	3 675	7 424	2 207	**24 968**	7 030	4 197	**36 195**
Investment in associated companies	–	–	304	403	**707**	–	–	**707**
Investment in joint ventures	–	–	–	–	**–**	7	–	**7**
Total deposits (including non-recourse deposits)	559	5 683	5	279 314	**285 561**	287 561	49 632	**622 754**
Total assets	220 550	26 092	34 583	42 490	**323 715**	104 559	59 265	**487 539**
Total liabilities[‡]	220 838	26 931	37 761	29 736	**315 266**	101 597	58 417	**475 280**
Capital expenditure	7	22	64	2 397	**2 490**	208	357	**3 055**

The segmental analysis is based on the management accounts for the respective segments.

[*] *Refer to additional segmental disclosure on page 51.*

[**] *Refer to additional activity and business disclosure on page 50.*

[#] *Refer to additional segmental disclosure on page 54, which includes MotoNovo (back book) within FCC.*

[†] *FCC represents group-wide functions.*

[‡] *Total liabilities are net of interdivisional balances.*

Retail and commercial		Corporate and institutional					
WesBank*	**Retail and commercial**	**RMB****	**Aldermore#**	FCC (including Group Treasury) and other†	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
50.0	**51.6**	**44.2**	**53.3**	>100	**52.9**	–	**52.8**
38.3	**44.1**	**56.6**	**10.2**	(>100)	**40.3**	–	**39.9**
2.28	**2.91**	**0.94**	**1.12**	1.09	**1.91**	–	**1.91**
8.49	**7.78**	**0.87**	**1.89**	2.35	**4.37**	–	**4.37**
(884)	**(3 791)**	**(138)**	**(171)**	(10)	**(4 110)**	–	**(4 110)**
(52)	**(186)**	**(130)**	**(66)**	(454)	**(836)**	–	**(836)**
(21)	**(33)**	**(28)**	**–**	(203)	**(264)**	(342)	**(606)**
131 128	**608 132**	**359 827**	**269 668**	73 468	**1 311 095**	–	**1 311 095**
121 138	**598 142**	**359 827**	**258 762**	40 672	**1 257 403**	–	**1 257 403**
9 990	**9 990**	**–**	**10 906**	32 796	**53 692**	–	**53 692**
11 128	**47 323**	**3 135**	**5 096**	1 727	**57 281**	–	**57 281**
2 227	**2 934**	**3 848**	**118**	(18)	**6 882**	–	**6 882**
(4)	**3**	**1 826**	**–**	(18)	**1 811**	(62)	**1 749**
68	**622 822**	**249 742**	**295 036**	367 415	**1 535 015**	–	**1 535 015**
133 372	**620 911**	**642 436**	**328 301**	334 968	**1 926 616**	(77)	**1 926 539**
131 323	**606 603**	**631 961**	**304 550**	231 505	**1 774 619**	–	**1 774 619**
2 372	**5 427**	**265**	**129**	129	**5 950**	–	**5 950**

Additional activity and business disclosure – RMB

In order to align with RMB's internal management structures, internal and external reporting has been refined to reflect three primary business divisions, being banking, markets and private equity. As a transitional measure, the previous activity reporting matrix is provided.

	Six months ended 31 December								% change
	2020							2019	
R million	**IB&A**	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**	Total	
Normalised PBT									
Banking	**2 013**	**822**	**2**	**217**	**30**	**–**	**3 084**	3 377	(9)
Markets	**–**	**–**	**1 596**	**–**	**(3)**	**(220)**	**1 373**	1 084	27
Private equity	**–**	**–**	**–**	**193**	**–**	**–**	**193**	290	(33)
Other RMB	**–**	**–**	**(12)**	**–**	**–**	**(103)**	**(115)**	81	(>100)
Total RMB – 31 December 2020	**2 013**	**822**	**1 586**	**410**	**27**	**(323)**	**4 535**	4 832	(6)
Total RMB – 31 December 2019	2 488	892	1 213	254	9	(24)	4 832		
% change	**(19)**	**(8)**	**31**	**61**	**>100**	**>100**	**(6)**		

	Six months ended 31 December 2019*						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Banking	2 488	892	2	(36)	31	–	3 377
Markets	–	–	1 223	–	(22)	(117)	1 084
Private equity	–	–	–	290	–	–	290
Other RMB	–	–	(12)	–	–	93	81
Total RMB	2 488	892	1 213	254	9	(24)	4 832

* *December 2019 and June 2020 have been restated for the Ashburton move to the RMB markets business in the current period.*

	Year ended 30 June 2020*						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Banking	4 534	1 411	22	(758)	63	–	5 272
Markets	–	–	2 769	–	(105)	(344)	2 320
Private equity	–	–	–	443	–	–	443
Other RMB	75	–	(23)	–	–	26	78
Total RMB	4 609	1 411	2 768	(315)	(42)	(318)	8 113

* *December 2019 and June 2020 have been restated for the Ashburton move to the RMB markets business in the current period.*

Note:

IB&A – investment banking and advisory

C&TB – corporate and transactional banking

M&S – markets and structuring

INV – investing

IM – investment management

Additional segmental disclosure – WesBank

	Six months ended 31 December 2020		
R million	**Retail**	**Corporate and commercial**	**Total WesBank**
NII before impairment of advances	**2 153**	**297**	**2 450**
Impairment of advances	**(1 052)**	**(91)**	**(1 143)**
Normalised profit before tax	**793**	**174**	**967**
Normalised earnings	**553**	**125**	**678**
Advances	**101 816**	**26 687**	**128 503**
Stage 3/NPLs	**10 921**	**1 104**	**12 025**
Advances margin (%)	**3.53**	**2.04**	**3.22**
Stage 3/NPLs as a % of advances	**10.73**	**4.14**	**9.36**
Credit loss ratio (%)	**2.04**	**0.68**	**1.76**

	Six months ended 31 December 2019		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	2 337	284	2 621
Impairment of advances	(792)	(67)	(859)
Normalised profit before tax	1 203	170	1 373
Normalised earnings	844	122	966
Advances	106 705	29 855	136 560
Stage 3/NPLs	7 287	537	7 824
Advances margin (%)	3.69	2.13	3.35
Stage 3/NPLs as a % of advances	6.83	1.80	5.73
Credit loss ratio (%)	1.49	0.46	1.27

	Year ended 30 June 2020		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 711	586	5 297
Impairment of advances	(2 774)	(249)	(3 023)
Normalised profit before tax	979	247	1 226
Normalised earnings	665	178	843
Advances	104 014	27 114	131 128
Stage 3/NPLs	10 254	874	11 128
Advances margin (%)	3.80	2.15	3.45
Stage 3/NPLs as a % of advances	9.86	3.22	8.49
Credit loss ratio (%)	2.64	0.90	2.28

Additional segmental disclosure – UK operations

In order to provide a full strategic overview of the total UK operations of Aldermore and MotoNovo, the segmental disclosure provided here reflects the total operations of MotoNovo, which include the front book written since 5 May 2019 within Aldermore Group and the back book reported in FCC.

	Six months ended 31 December 2020					
£ million	**Commercial**	**Retail**	**Central functions**	**Aldermore**	**Total MotoNovo**	**Total UK operations**
Net interest income before impairment of advances	75	86	(3)	158	88	246
Impairment charge	(7)	(19)	–	(26)	(32)	(58)
Net interest income after impairment of advances	68	67	(3)	132	56	188
Non-interest revenue	3	–	(4)	(1)	2	1
Income from operations	71	67	(7)	131	58	189
Operating expenses	(13)	(7)	(57)	(77)	(38)	(115)
Net income from operations	58	60	(64)	54	20	74
Share of profit of associates and joint ventures after tax	–	–	–	–	–	–
Income before tax	58	60	(64)	54	20	74
Indirect tax	(2)	(1)	–	(3)	(3)	(6)
Profit before tax	56	59	(64)	51	17	68
Income tax expense	–	–	(10)*	(10)	(4)	(14)
Profit for the period	56	59	(74)	41	13	54
Attributable to						
Ordinary equityholders	56	59	(78)	37	13	50
Other equity instrument holders	–	–	4	4	–	4
Non-controlling interests	–	–	–	–	–	–
Profit for the period	56	59	(74)	41	13	54
Consolidated statement of financial position includes:						
Cash and cash equivalents	–	–	1 143	1 143	65	1 208
Derivative financial instruments	–	–	6	6	1	7
Investment securities	–	–	1 802	1 802	–	1 802
Advances	3 144	7 342	–	10 486	3 644	14 130
– Gross advances	3 216	7 397	–	10 613	3 794	14 407
– Impairment of advances	(72)	(55)	–	(127)	(150)	(277)
Other assets	–	–	148	148	104	252
Total assets	3 144	7 342	3 099	13 585	3 814	17 399
Derivative financial instruments	–	–	78	78	2	80
Total deposits	–	–	13 900	13 900	718	14 618
Other liabilities	3 088	7 283	(11 836)	(1 465)	3 023	1 558
Total liabilities	3 088	7 283	2 142	12 513	3 743	16 256
Stage 3/NPLs	101	207	–	308	108	416
Stage 3/NPLs as a % of advances	3.15	2.80	–	2.90	2.86	2.89
Credit loss ratio (%)	0.46	0.50	–	0.49	1.76	0.81
Advances margin (%)	4.56	2.32	–	3.26	4.52	3.35

* *Tax expense reflected in central functions.*

	Six months ended 31 December 2019					
£ million	Commercial	Retail	Central functions	**Aldermore**	Total MotoNovo	**Total UK operations**
Net interest income before impairment of advances	76	88	(2)	162	84	246
Impairment charge	(11)	–	–	(11)	(26)	(37)
Net interest income after impairment of advances	65	88	(2)	151	58	209
Non-interest revenue	3	–	(4)	(1)	1	–
Income from operations	68	88	(6)	150	59	209
Operating expenses	(14)	(6)	(59)	(79)	(37)	(116)
Net income from operations	54	82	(65)	71	22	93
Share of profit of associates and joint ventures after tax	–	–	–	–	–	–
Income before tax	54	82	(65)	71	22	93
Indirect tax	(2)	(2)	–	(4)	(1)	(5)
Profit before tax	52	80	(65)	67	21	88
Income tax expense	–	–	(16)*	(16)	(7)	(23)
Profit for the period	52	80	(81)	51	14	65
Attributable to						
Ordinary equityholders	52	80	(83)	49	14	63
Other equity instrument holders	–	–	2	2	–	2
Non-controlling interests	–	–	–	–	–	–
Profit for the period	52	80	(81)	51	14	65
Consolidated statement of financial position includes:						
Cash and cash equivalents	–	–	715	715	43	758
Derivative financial instruments	–	–	9	9	–	9
Investment securities	–	–	1 312	1 312	–	1 312
Advances	3 491	7 228	–	10 719	3 551	14 270
– Gross advances	3 528	7 246	–	10 774	3 620	14 394
– Impairment of advances	(37)	(18)	–	(55)	(69)	(124)
Other assets	–	–	59	59	107	166
Total assets	3 491	7 228	2 095	12 814	3 701	16 515
Derivative financial instruments	–	–	37	37	–	37
Total deposits	–	–	12 453	12 453	250	12 703
Other liabilities	3 439	7 147	(11 353)	(767)	3 440	2 673
Total liabilities	3 439	7 147	1 137	11 723	3 690	15 413
Stage 3/NPLs	54	86	–	140	62	202
Stage 3/NPLs as a % of advances	1.54	1.19	–	1.30	1.72	1.41
Credit loss ratio (%)	0.65	–	–	0.22	1.45	0.53
Advances margin (%)	4.35	2.52	–	3.06	4.47	3.41

* *Tax expense reflected in central functions.*

Additional segmental disclosure – UK operations continued

	Year ended 30 June 2020					
£ million	Commercial	Retail	Central functions	**Aldermore**	Total MotoNovo	**Total UK operations**
Net interest income before impairment of advances	150	177	(11)	316	166	482
Impairment charge	(62)	(13)	–	(75)	(98)	(173)
Net interest income after impairment of advances	88	164	(11)	241	68	309
Non-interest revenue	5	–	(8)	(3)	4	1
Income from operations	93	164	(19)	238	72	310
Operating expenses	(26)	(14)	(112)	(152)	(76)	(228)
Net income from operations	67	150	(131)	86	(4)	82
Share of profit of associates and joint ventures after tax	–	–	1	1	–	1
Income before tax	67	150	(130)	87	(4)	83
Indirect tax	(3)	(2)	–	(5)	(4)	(9)
Profit before tax	64	148	(130)	82	(8)	74
Income tax expense	–	–	(18)*	(18)	–	(18)
Profit for the year	64	148	(148)	64	(8)	56
Attributable to						
Ordinary equityholders	64	148	(160)	52	(8)	44
Other equity instrument holders	–	–	12	12	–	12
Non-controlling interests	–	–	–	–	–	–
Profit for the year	64	148	(148)	64	(8)	56
Consolidated statement of financial position includes:						
Cash and cash equivalents	–	–	665	665	49	714
Derivative financial instruments	–	–	9	9	–	9
Investment securities	–	–	1 941	1 941	–	1 941
Advances	3 275	7 327	–	10 602	3 458	14 060
– Gross advances	3 347	7 360	–	10 707	3 586	14 293
– Impairment of advances	(72)	(33)	–	(105)	(128)	(233)
Other assets	–	–	178	178	106	284
Total assets	3 275	7 327	2 793	13 395	3 613	17 008
Derivative financial instruments	–	–	97	97	3	100
Total deposits	–	–	13 520	13 520	250	13 770
Other liabilities	3 212	7 179	(11 692)	(1 301)	3 372	2 071
Total liabilities	3 212	7 179	1 925	12 316	3 625	15 941
Stage 3/NPLs	72	151	–	223	87	310
Stage 3/NPLs as a % of advances	2.18	2.05	–	2.09	2.45	2.18
Credit loss ratio (%)	1.84	0.19	–	0.72	2.79	1.24
Advances margin (%)	4.40	2.49	–	3.00	4.79	3.44

* *Tax expense reflected in central functions.*

Additional segmental disclosure – insurance activities

FNB

FNB Life adopted Advisory Practice Note (APN) 107 for embedded value (EV) and value of new business (VNB) disclosure in 2020, which resulted in the restatement of 2019 figures. VNB has also been restated to include all fixed operating expenses on a fully absorbed basis as opposed to the marginal costing methodology previously used. APN 107 encourages consistency and transparency of embedded value reporting across the industry.

Reductions in VNB and EV 2020 reflect the impact of COVID-19 on sales, lapses and claims ratios.

VALUE OF NEW BUSINESS*

R million	Six months ended 31 December		% change	Year ended 30 June
	2020	2019**		2020**
Credit life#	**39**	1	>100	2
Funeral#	**123**	104	18	180
Core life	**1**	9	(89)	18
Underwritten	**9**	10	(10)	17
Total	**172**	124	39	217

* *Defined as the present value of expected post-tax profits at point of sale for new business during the period.*

** *Embedded values have now been restated to align with APN 107 with modelling enhancements. Further to this, the December 2019 and June 2020 numbers are produced allowing for the impact of COVID-19 by adjusting mortality, retrenchment, lapses and expense assumptions.*

\# *Significant growth in value of new business written during the period is attributable to higher personal loans, increased funeral premium rates and improved outlook on retrenchment rates for the credit life book.*

Note: Due to the size of the Commercial book it has been excluded from VNBs for this reporting period. It will be included in subsequent periods.

EMBEDDED VALUE (EV)

R million	Six months ended 31 December		% change	Year ended 30 June
	2020	2019*		2020*
Total	**4 072**	4 987	(18)	3 753

* *Embedded values have now been restated to align with APN 107 with modelling enhancements. Further to this, the December 2019 and June 2020 numbers are produced allowing for the impact of COVID-19 by adjusting mortality, retrenchment, lapses and expense assumptions.*

EV includes a number of COVID-19-related provisions and adjustments relating to mortality, retrenchment, lapses and expense assumption basis changes of R1.8 billion (June 2020: R1.6 billion). The IFRS impact of the COVID-19-related adjustment amounting to R2.0 billion (June 2020: R1.7 billion) has been reserved for and adjusted against the negative liability reserves which are not on the life insurance balance sheet. The increase in reserves mainly relates to a strengthening of the mortality basis due to the worsening of the pandemic, which was partly offset by an improvement in the retrenchment outlook. The return on EV for the six months to 31 December 2020 was 17.7% on an annualised basis.

NUMBER OF POLICIES

Thousands	Six months ended 31 December		% change	Year ended 30 June
	2020	2019		2020
Credit life	**2 257**	2 412	(6)	2 355
Funeral	**1 263**	1 267	–	1 192
Core life	**359**	359	–	347
Underwritten	**142**	116	22	121
Commercial	**17**	12	42	16
Total	**4 038**	4 166	(3)	4 031

IN-FORCE APE

R million	Six months ended 31 December		% change	Year ended 30 June
	2020	2019		2020
Credit life	**1 705**	1 742	(2)	1 725
Funeral	**2 248**	1 962	15	2 012
Core life	**441**	430	3	427
Underwritten	**531**	412	29	444
Commercial	**44**	30	47	44
Total	**4 969**	4 576	9	4 652

SALES CHANNELS (STANDALONE LIFE)

% of sales	Six months ended 31 December		Year ended 30 June
	2020	2019	2020
Face-to-face	**75**	69	67
Call centres	**21**	26	26
Digital	**4**	5	7
Total	**100**	100	100

Additional segmental disclosure – insurance activities continued

WESBANK

NUMBER OF POLICIES AND GROSS WRITTEN PREMIUM

	MotoVantage (VAPS)			
	Six months ended 31 December			Year ended 30 June
	2020	2019	% change	2019
Number of policies (thousands)	**661**	755*	(12)	675*
Gross written premium (R million)	**770**	899	(14)	1 516

* *Prior year numbers have been restated following a revision of the active policy definition following migration to a new system.*

	Motor (credit life)			
	Six months ended 31 December			Year ended 30 June
	2020	2019	% change	2019
Number of policies (thousands)	**46**	59*	(22)	52*
Gross written premium (R million)	**54**	64	(16)	112

* *Prior year numbers have been restated following a revision of the active policy definition following migration to a new system.*

VALUE-ADDED PRODUCTS AND SERVICES (VAPS) SALES CHANNELS

	Six months ended 31 December		Year ended 30 June
% of sales	**2020**	2019	2020
Point of sale	**62**	61	61
Telesales	**33**	29	31
Other	**5**	10	8
Total	**100**	100	100

Additional disclosure – investment management activities

Despite the difficult operating environment, FirstRand continues to make good progress in building out investment management and recently consolidated these activities under a single structure to coordinate management capabilities across FNB, Ashburton Investments and RMB. The aim is to deliver investment solutions aligned to client needs across all segments off a scalable and efficient platform.

Total assets under management (AUM) increased 4% period-on-period and was mainly attributable to good growth in fixed income.

TOTAL ASSETS UNDER MANAGEMENT

	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Multi-asset and equity	**20 052**	20 490	(2)	19 348
Structured products and index	**13 263**	14 222	(7)	11 959
Alternatives*	**28 158**	28 441	(1)	27 900
Fixed income	**42 800**	34 017	26	39 546
Private client portfolios	**56 092**	56 293	–	57 141
Total group AUM	**160 365**	153 463	4	155 894

* *Prior period includes an adjustment to alternatives AUM to align with industry reporting methodology.*

Investment management fees declined period-on-period, largely due to inflows into low-margin fixed-income products and outflows from higher-margin products. Trust and estate income improved due to the reopening of the Master's office. Growth in brokerage income was driven by increased trade activity resulting from recent market volatility. The increase in administration and other income was driven by growth of monthly account fees from online share trading sales. The decline in NII reflects lower interest rates on cash balances for stockbroking accounts. Advice fees were down period-on-period due to the COVID-19 and lockdown impact on advisor client engagement as well as new business flow into lower-margin products and outflows from high margin product.

REVENUE BY TYPE

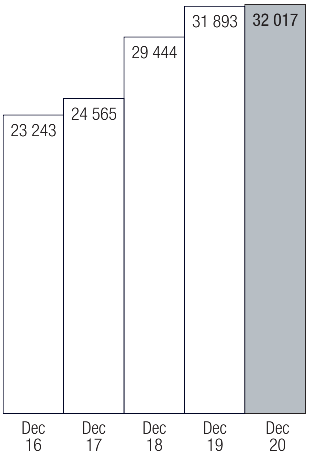
	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Investment management fees	**345**	361	(4)	732
Advice fees	**129**	144	(10)	273
Trust and estate income	**115**	99	16	206
Brokerage income	**90**	44	>100	142
Administration and other income	**79**	47	68	135
NII	**50**	53	(6)	112
Total revenue	**808**	748	8	1 600

ANALYSIS OF RESULTS

Net interest income (before impairment of advances)

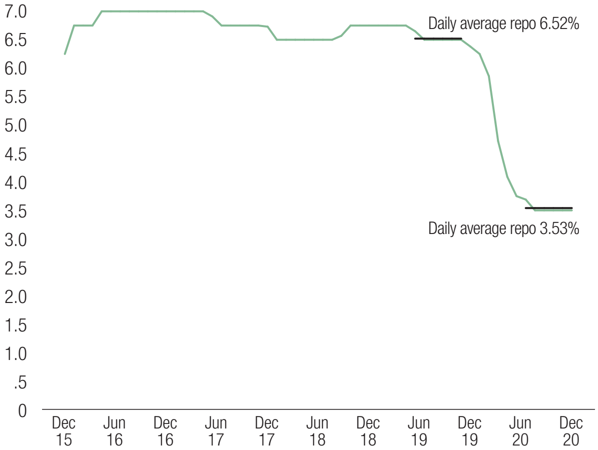
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – FLAT

NET INTEREST INCOME
R million
CAGR 8%



Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9.

REPO RATE – SOUTH AFRICA
%



Note: R303 billion = average endowment book, excluding UK operations, for the period (average UK operations endowment book was £500 million). Rates were lower by 299 bps on average in the current period, which translates into a negative endowment impact of approximately R4.5 billion (R4.7 billion including UK operations) for the period on an unhedged basis.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	Six months ended 31 December 2020 %	Year ended 30 June 2020 %
December 2019/June 2019 normalised margin	**5.06**	5.11
Base effect	**(0.28)**	(0.38)
Capital endowment	**(0.23)**	0.02
– Volume	**0.03**	0.09
– Average rate	**(0.26)**	(0.07)
Lending interest-earning assets	**0.03**	0.12
– Interest income on change in assets and change in volume and mix	**0.13**	0.12
– Asset pricing	**(0.02)**	0.11
– Interest suspended	**(0.08)**	(0.11)
Liabilities	**(0.01)**	0.10
– Deposit endowment	**(0.22)**	(0.07)
– Change in composition and volume	**0.29**	0.27
– Deposit pricing	**(0.08)**	(0.10)
Group Treasury activities	**0.16**	(0.08)
– Accounting mismatches (MTM vs accrual on term issuance)	**0.01**	(0.01)
– Financial resource pricing and management	**0.02**	(0.08)
– ALM (interest rate and FX management)	**0.13**	0.01
FNB Africa	**(0.04)**	0.02
December 2020 normalised operating margin excluding UK operations	**4.69**	4.91
Impact of UK operations on margin	**(0.42)**	(0.46)
– Motonovo back book	**0.01**	(0.02)
– Motonovo front book	**0.01**	(0.01)
– Aldermore	**(0.44)**	(0.43)
December 2020/June 2020 normalised margin including UK operations	**4.27**	4.45

Note: The methodology used to prepare the margin cascade was updated during the current period to align with industry practice. The base effect of the change in prior period average interest-earning assets are determined first, thereafter every movement in the income statement is determined on the current year interest-earning assets.

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019*	% change	2020
Net interest income				
Lending	**11 304**	11 127	2	22 443
Transactional**	**8 769**	8 834	(1)	17 269
Deposits	**1 801**	1 788	1	3 515
Capital endowment	**2 276**	3 615	(37)	6 663
Group Treasury	**653**	(146)	>100	(595)
FNB Africa	**1 923**	2 145	(10)	4 340
Other (negative endowment, e.g. fixed assets)	**90**	(25)	>100	(187)
Total net interest income excluding UK operations	**26 816**	27 338	(2)	53 448
UK operations	**5 201**	4 555	14	9 403
– Motonovo back book	**705**	1 187	(41)	2 154
– Motonovo front book	**1 171**	364	>100	1 091
– Aldermore	**3 325**	3 004	11	6 158
Total net interest income including UK operations	**32 017**	31 893	–	62 851

* *December 2019 numbers were restated in order to provide better attribution of NII by nature of activity.*

** *Includes NII related to credit cards, overdrafts, transactional deposit products and deposit endowment.*

KEY DRIVERS

- Overall group NII was in line with the prior period, reflecting muted gross advances growth of 1% (negative 1% excluding the currency impact of the UK operations and RMB cross-border book) period-on-period and ongoing strong deposit growth of 8% (7% excluding the currency impact of the UK operations). However, when looking at growth since June 2020, gross advances contracted 3% and deposit growth slowed to 1% despite the rate cuts.
- Group NII also reflects the lower average interest rates period-on-period following the 300 bps cut over the 12 months to December 2020. The 2020 cuts were 25 bps in January, 100 bps in March, 100 bps in April, 50 bps in May and the final 25 bps in July, which resulted in an average decrease of 299 bps in the average repo rate for the six months ended December 2020, resulting in a negative endowment impact on capital and deposits. This was offset, to an extent, by higher capital levels and deposit volumes and which benefited from the mitigation strategies to protect earnings that covered approximately 50% of the negative endowment impact.
- Lending NII increased 2% due to higher margin activity in CIB and elevated margins from FNB Commercial as a result of some repricing. Retail lending margins, however, decreased due to an increase in suspended interest on the back of higher NPLs resulting in FNB's advances margin declining 9 bps.
- Average advances in FNB's rest of Africa portfolio decreased 2% period-on-period. Botswana advances declined significantly with further declines in the smaller subsidiaries, offset by an increase in Ghana advances as a result of the GHL mortgage book acquisition in May 2020.
- WesBank's operational retail VAF margins decreased 16 bps due to competitive pricing and lower rates with higher suspended interest following NPL growth, resulting in a net decrease of 13 bps for WesBank overall.
- RMB's NII increased 5%, benefiting from strong average deposit growth and an increase in higher-margin advances.
- FNB's deposit margins decreased, impacted by negative endowment from the rate cuts, growth in lower-margin deposit products and increased competitive pressures. Average deposits benefited from strong growth in cash investment and transactional product deposits of 17%, which mitigated some of the margin reduction resulting in overall FNB NII remaining flat.
- Average deposit growth in FNB rest of Africa was strong at 19%, with slightly lower margins reflecting negative endowment in declining interest rate environments. Growth in average deposit balances was mainly driven by Namibia, Botswana and Ghana.
- Group Treasury's margin was impacted by the following factors:
  - Improvements in market liquidity conditions, as a result of lower credit growth and significant deposit growth, resulted in a reduction in funding requirements from institutional markets as well as well as lower market funding spreads.
  - During the period under review there was an increase in liquid assets. This was positive for NII albeit at a lower margin.
  - The performance of the group's interest rate risk management programme protected earnings in the rate-cutting environment.
- UK operations margins declined 42 bps. Total MotoNovo advances margins were relatively flat period-on-period. Aldermore's net interest margin decreased 44 bps period-on-period, reflecting the impact of lower base rates and the temporary removal of higher-yielding products to actively manage risk appetite during COVID-19.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		December 2020			December 2019		
R million	Notes	**Average balance***	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**7.03**			10.02
Balances with central banks		**31 027**	**–**		29 263	–	
Cash and cash equivalents		**40 148**	**517**	**2.55**	37 056	867	4.64
Liquid assets portfolio		**241 710**	**7 267**	**5.96**	183 967	6 594	7.11
Loans and advances to customers	1	**820 845**	**34 167**	**8.26**	821 190	45 470	10.98
Interest-earning assets		**1 133 730**	**41 951**	**7.34**	1 071 476	52 931	9.80
INTEREST-BEARING LIABILITIES							
Average JIBAR				**3.67**			6.90
Deposits due to customers	2	**(828 378)**	**(10 386)**	**2.49**	(713 565)	(16 992)	4.72
Group Treasury funding		**(318 145)**	**(7 502)**	**4.68**	(400 993)	(13 573)	6.71
Interest-bearing liabilities		**(1 146 523)**	**(17 888)**	**3.09**	(1 114 558)	(30 565)	5.44
ENDOWMENT AND TRADING BOOK							
Other assets**		**272 778**	**–**	**–**	297 716	–	–
Other liabilities#		**(129 938)**	**–**	**–**	(132 451)	–	–
NCNR preference shareholders		**(8 289)**	**–**	**–**	(9 530)	–	–
Equity		**(121 758)**	**–**	**–**	(112 653)	–	–
Endowment and trading book		**12 793**	**2 753**	**42.69**	43 082	4 972	22.89
Total interest-bearing liabilities, endowment and trading book		**(1 133 730)**	**(15 135)**	**2.65**	(1 071 476)	(25 593)	4.74
Net interest margin on average interest-earning assets – excluding UK operations		**1 133 730**	**26 816**	**4.69**	1 071 476	27 338	5.06
Net interest margin on average interest-earning assets – UK operations		**353 523**	**5 201**	**2.92**	291 804	4 555	3.10
– Motonovo back book		**27 972**	**705**	**5.00**	49 590	1 187	4.75
– Motonovo front book		**46 309**	**1 171**	**5.02**	15 530	364	4.65
– Aldermore		**279 242**	**3 325**	**2.36**	226 684	3 004	2.63
Net interest margin on average interest-earning assets – including UK operations		**1 487 253**	**32 017**	**4.27**	1 363 280	31 893	4.64

Interest income represents the gross interest received on assets and interest expense represents the gross interest paid on liabilities.

* *Includes level 1 HQLA and level 2 HQLA and corporate bonds not qualifying as HQLA.*

** *Includes preference share advances, trading assets and securitisation notes.*

Includes trading liabilities.

MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	December 2020		December 2019	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**7.03**		10.02
Advances				
Retail – secured	**328 555**	**2.44**	327 447	2.44
Residential mortgages	**226 049**	**1.95**	221 442	1.84
VAF	**102 506**	**3.53**	106 005	3.69
Retail – unsecured	**88 688**	**10.97**	91 337	11.55
Card	**28 089**	**7.84**	32 228	7.29
Personal loans	**42 096**	**14.09**	40 178	16.14
Retail other	**18 503**	**8.62**	18 931	9.03
Corporate and commercial	**348 822**	**2.57**	346 422	2.51
FNB commercial	**104 332**	**3.59**	103 861	3.63
– Mortgages	**28 710**	**2.21**	27 572	2.40
– Overdrafts	**35 504**	**5.43**	38 978	5.13
– Term loans	**40 118**	**2.95**	37 311	2.98
WesBank corporate	**27 143**	**2.04**	29 045	2.13
RMB investment banking*	**158 076**	**2.33**	156 903	2.18
RMB corporate banking	**59 271**	**1.67**	56 613	1.58
FNB Africa	**54 780**	**4.20**	55 984	4.02
Total advances excluding UK operations	**820 845**	**3.54**	821 190	3.59
UK operations**	**295 452**	**3.43**	256 693	3.46
– Motonovo back book	**27 972**	**4.37**	49 590	4.44
– Motonovo front book	**46 309**	**5.02**	15 530	4.64
– Aldermore	**221 171**	**2.98**	191 573	3.11
Total advances including UK operations	**1 116 297**	**3.51**	1 077 883	3.57

* *Assets purchased under resale agreements and preference share advances are excluded from loans and advances to customers.*

** *UK operations advances margin is shown net of cost of funds.*

Note: Margins are calculated using total net interest as a percentage of gross advances. Average balances are daily averages for FNB and WesBank, and monthly averages for RMB.

Margin analysis on loans and advances to and deposits from customers is based on net interest income as a percentage of average advances/deposits. Net interest income is calculated as the difference between the client rate (earned or paid) and the transfer pricing rate (earned or paid by Group Treasury). The average margin is, therefore, net of funds transfer pricing.

The group operates a transfer pricing framework that incorporates liquidity cost and benefits into product pricing, including any regulatory costs, for all significant business activities on- and off-balance sheet. This aligns liquidity risk-taking incentives of the individual business units with the liquidity risk exposure created for the group as a whole.

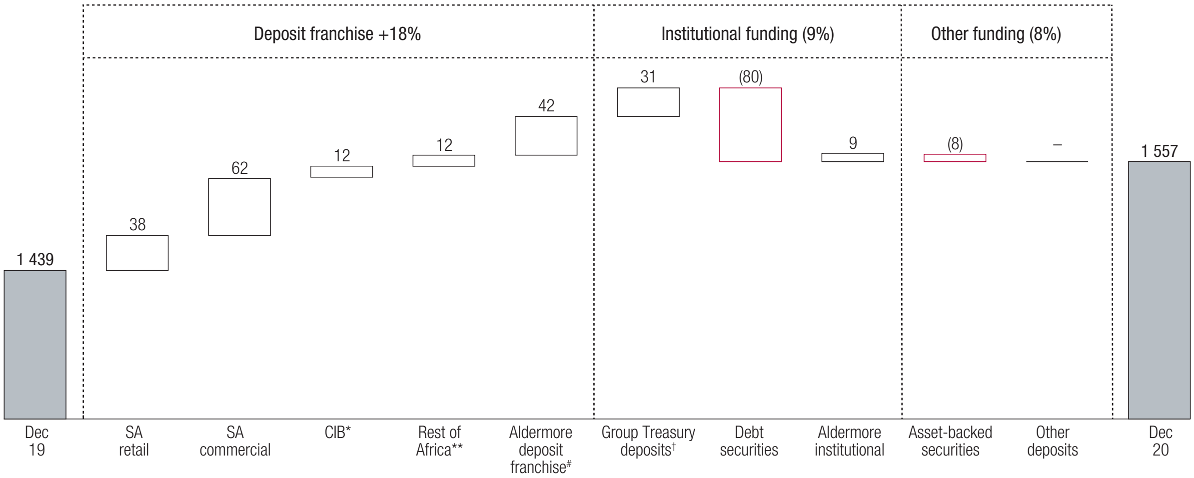
Where fixed-rate commitments are undertaken (fixed-rate loans or fixed deposits), transfer pricing will also include the interest rate transfer price.

Net interest income (before impairment of advances) continued

Deposits – up 8%

FUNDING GROWTH BY SEGMENT

R billion



* CIB deposits include South Africa, as well as the London and India branches.

** Rest of Africa deposits include CIB deposits related to the African banking entities.

\# Aldermore deposit franchise increased 14% in pound terms.

† Group Treasury deposits include the SARB SME loan-funding facility.

MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	December 2020		December 2019*	
	Average balance	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**3.67**		6.90
Deposits				
Retail	**268 530**	**1.47**	236 203	2.21
Current and savings	**75 958**	**3.52**	64 103	5.86
Call	**105 241**	**0.81**	89 043	0.92
Term	**87 331**	**0.49**	83 057	0.77
Commercial	**313 444**	**1.83**	262 560	2.47
Current and savings	**117 066**	**3.35**	93 261	5.36
Call	**100 576**	**1.40**	85 268	1.27
Term	**95 802**	**0.42**	84 031	0.48
Corporate and investment banking	**195 397**	**0.98**	171 811	1.17
Current and savings	**100 804**	**1.36**	83 735	1.61
Call	**53 812**	**0.70**	47 258	1.06
Term	**40 781**	**0.40**	40 818	0.40
FNB Africa	**51 007**	**2.31**	42 991	3.50
Total deposits excluding UK operations	**828 378**	**1.54**	713 565	2.13
UK operations**	**294 161**	**–**	216 353	–
Total deposits including UK operations	**1 122 539**	**1.14**	929 918	1.64

* Restatements are due to refinements in FNB's processes.

** The UK operations margin is shown in the previous table.

Note: Average balances are daily averages for FNB and WesBank, and monthly averages for RMB.

KEY DRIVERS

- FNB's deposit base grew by 19%, specifically:
  - Retail deposits grew 14%, supported by ongoing customer acquisition and money management engagements with customers to simplify savings outcomes. Reduced spending and lower withdrawals from notice products following the COVID-19 pandemic have contributed to the growth period-on-period. Based on the BA900 as at December 2020, FNB held the largest market share of household deposits.
  - Commercial deposits increased 24%, driven by proactive customer engagement, customer acquisition, digitisation, and customers in search of the security provided by capital guarantees during the COVID-19 pandemic.
- Growth in RMB CIB's deposit base was driven by the growth in operational accounts as corporates shored up their liquidity buffers and delayed capital expenditure as they waited to observe the pandemic's impact on the economy and their cash flow requirements.
- Aldermore deposit growth was driven by competitively priced products, particularly in the personal deposit market, which supported customer acquisition and retention in a highly competitive market. Aldermore continues to broaden and diversify its funding base, complemented by growth in corporate and retail deposits. Customer deposits remained stable and resilient throughout the COVID-19 crisis.
- The decline in institutional funding was a result of continued optimisation of the group's funding profile, which benefited from improved retail and commercial deposit growth and lower funding demand as a direct consequence of the COVID-19 crisis. Compositional changes can be attributed to:
  - reduced appetite for institutional funding resulting in lower fixed deposits and reduced issuance of negotiable certificates of deposit (NCDs) and floating-rate notes (FRNs);
  - reduced debt issuance; and
  - the redemption of a US dollar senior bond (April 2020) and other short-dated loans.
- The overall reduction in other funding was primarily due to ongoing maturities of structured funding issuances over the period.

Credit

CREDIT HIGHLIGHTS AT A GLANCE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2020**	2019	% change	2020
Total gross advances*	1 on p.90	**1 275 510**	1 259 326	1	1 311 095
– Stage 1		**1 096 909**	1 129 742	(3)	1 131 513
– Stage 2		**117 316**	84 549	39	122 301
– Stage 3/NPLs**	3 on p.112	**61 285**	45 035	36	57 281
Stage 3/NPLs as a % of advances	3 on p.112	**4.80**	3.58		4.37
Impairment charge	6 on p.122	**9 414**	5 934	59	24 383
Credit loss ratio (%)	6 on p.122	**1.46**	0.95		1.91
Impairment charge excluding UK operations	6 on p.122	**8 177**	5 250	56	20 982
Credit loss ratio excluding UK operations (%)	6 on p.122	**1.64**	1.06		2.10
Total impairments	5 on p.120	**53 390**	35 562	50	49 380
Portfolio impairments	2 on p.110	**25 370**	15 757	61	24 707
– Stage 1		**11 663**	7 504	55	11 335
– Stage 2		**13 707**	8 253	66	13 372
Stage 3 impairments	4 on p.118	**28 020**	19 805	41	24 673
Specific coverage ratio (%)#	4 on p.118	**45.7**	44.0		43.1
Total impairment coverage ratio (%)†	5 on p.120	**87.1**	79.0		86.2
Performing book coverage ratio (%)‡	2 on p.110	**2.09**	1.30		1.97

* *Advances growth excluding the currency translation impact of the UK operations and the RMB cross-border book reflect a decline of 1%.*

** *A detailed analysis of the growth in stage 3/NPLs is provided on page 75.*

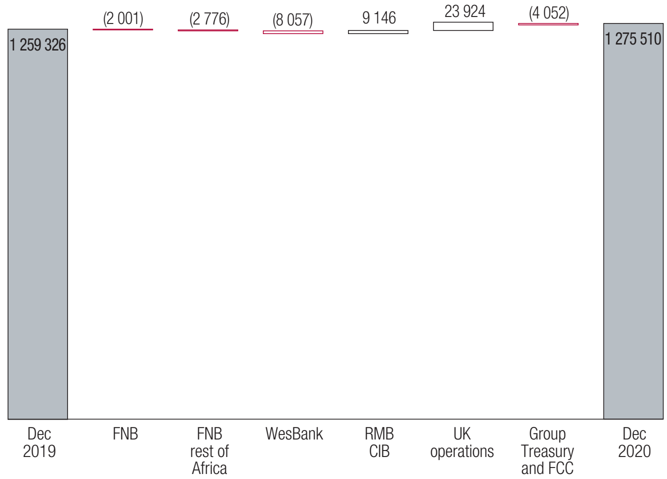
Specific impairments as a % of stage 3/NPLs.

† *Total impairments as a % of stage 3/NPLs.*

‡ *Portfolio impairments as a % of the performing book (stage 1 and stage 2).*

GROSS ADVANCES – UP 1%

GROSS ADVANCES GROWTH BY BUSINESS
R million



ADVANCES

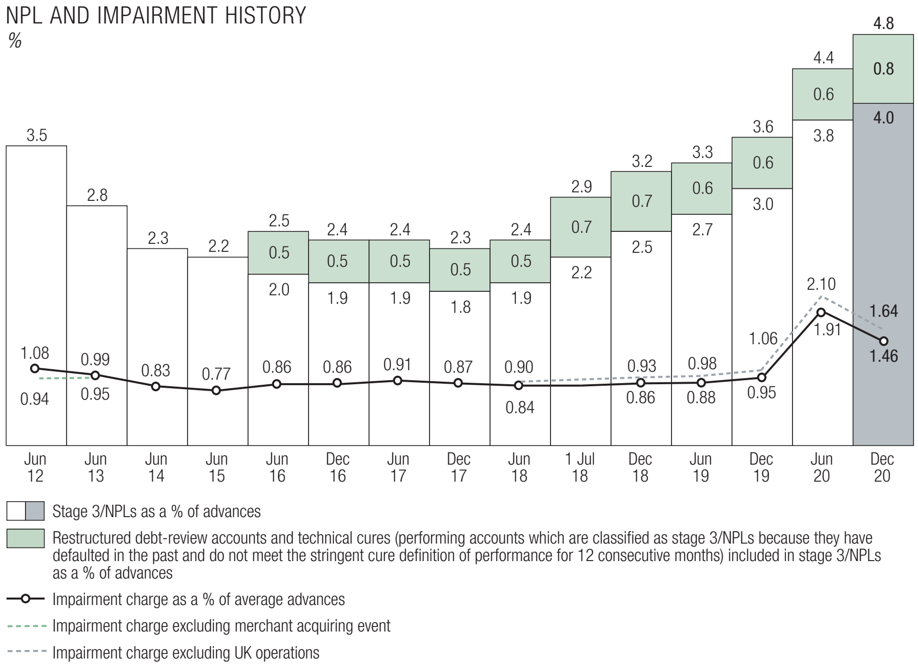
	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Gross advances	**1 275 510**	1 259 326	1	1 311 095
Impairment of advances	**(53 390)**	(35 562)	50	(49 380)
Net advances	**1 222 120**	1 223 764	–	1 261 715

The table below unpacks the impact of the growth in assets under agreements to resell, as well as the currency impact of the pound on UK operations and the dollar on the RMB cross-border book, on total advances growth.

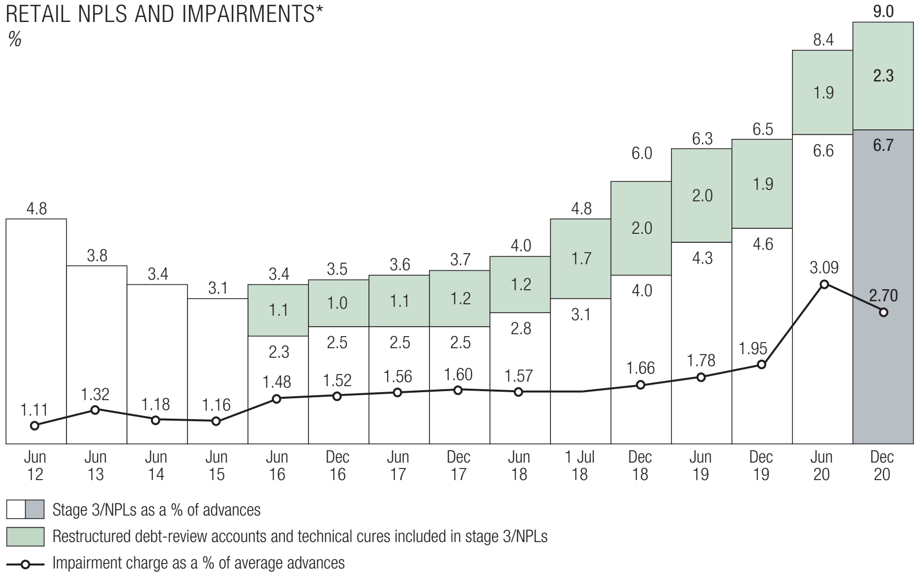
	As at 31 December			As at 30 June	% change December 2020 vs June 2020
R million	**2020**	2019	% change	2020	
Total advances	**1 275 510**	1 259 326	1	1 311 095	(3)
Assets under agreements to resell	**(56 525)**	(37 438)	51	(26 964)	>100
Total	**1 218 985**	1 221 888	–	1 284 131	(5)
UK operations and dollar cross-border book currency impact*	**(25 851)**	–	–	(54 410)	(52)
Core advances	**1 193 134**	1 221 888	(2)	1 229 721	(3)

* *If the exchange rate had remained unchanged from 31 December 2019. For further information on exchange rates, refer to page 242.*

Credit continued

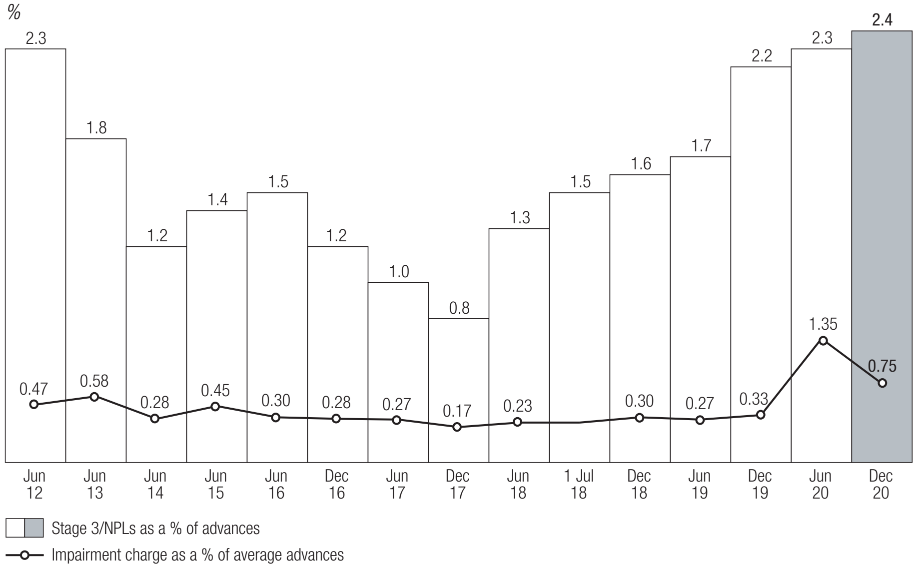


Note: 2012 to 2018 figures are based on IAS 39 and 2019 to 2020 on IFRS 9.



* *Excluding UK operations.*

CORPORATE AND COMMERCIAL NPLS AND IMPAIRMENTS*



Excluding UK operations.

Note: 2012 to 2018 figures are based on IAS 39 and 2019 to 2020 on IFRS 9.

HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

As explained on page 19, the group's credit performance should be viewed in the context of an ongoing strained macroeconomic environment. Despite some improvement from June 2020, significant uncertainty remains with regards to the second and third waves of COVID-19 infection and consequential lockdowns. It remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy substantially weakened, which remains a key risk to the macroeconomic outlook. Judgemental out-of-model impairments were raised in all portfolios to address these key risks.

Recap of the COVID-19 relief provided

The COVID-19 pandemic and various lockdown levels created significant economic distress and this required revisions to origination criteria and collection processes, and the establishment of payment relief initiatives. Phase one of relief was provided between April and June 2020 and with the extension of the lockdown, phase two relief was provided from July to September 2020. An overview of the relief options that were made available to customers is provided below.

- FNB offered retail customers emergency loans which provided them with liquidity and cash flow relief. The loans were at prime rate for qualifying customers, with zero fees and a flexible repayment period of up to five years (with no early settlement penalties). Repayment commenced after the initial three-month relief period was over. The emergency loan covered monthly instalments for FNB customers (including WesBank products). A small number of customers applied for a one-off extension to the initial three-month relief period, which was granted provided certain requirements were met.
- Customers were also offered traditional payment holidays in FNB retail, WesBank and FNB rest of Africa.
- There was an option offered to convert and extend balloon payments due to WesBank up to 12 months following phase one of the pandemic.
- In corporate and commercial, relief was undertaken on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers. Commercial customers were offered payment holidays through term extensions and overdrafts with flexible repayment time frames.
- Relief was also provided to SMEs through the South African government-guaranteed loan scheme whereby SMEs meeting specific requirements received relief funds at prime to cover operational costs for a period of up to six months. No fees were incurred by the customer, with flexible repayment terms of up to five years and no early settlement penalties. The group is exposed to a maximum 6% of the credit losses on these loans as credit losses, and the South African Reserve Bank (SARB) guarantees losses above that. The scheme was extended to corporates during the six months ending 31 December 2020.
- In the UK, Aldermore and MotoNovo granted payment holidays to existing clients and payment relief to SMEs through the government scheme. Some customers applied for an extension of the payment holiday period, with a small number of customers requesting multiple extensions.

Credit continued

Assessment of eligibility for relief and extended relief followed a risk-based approach and was assessed at an overall customer level. For retail customers in South Africa, industry guidance was followed, with relief provided to bucket 1 and 2 customers.

Phase two relief was assessed against sector vulnerabilities to lockdown and the pandemic.

Bucket 1	**Bucket 2**	**Bucket 3**	**Bucket 4**
Up to date – no assistance required, no financial distress	Up to date – COVID-19 short-term liquidity stress leading to financial distress	Up to three payments in arrears – already experiencing some financial distress, cannot manage COVID-19 financial stress, resulting in shortfall	Already experiencing financial distress and more than three payments in arrears and/or legal action has commenced

Corporate and commercial portfolios were assessed against sector vulnerabilities to lockdown and the pandemic.

	HIGH RISK *(intermediate impact)*	**MEDIUM RISK** *(protracted impact)*	**LOW RISK** *(neutral/positive impact)*
CORPORATE	Finance, government (parastatals), retail, oil and gas (upstream), transport and aviation, leisure and hotels, building materials, mining (diamonds), IT hardware, construction	Real estate, banks, diversified industries, mining (other mineral extractions and mines), food producers and processors, automobile and parts, oil and gas (downstream)	Telecommunication services, retail (food and drug retailers), health, mining (gold)
COMMERCIAL	Construction, transport/logistics, travel/tourism/hospitality, entertainment, luxury goods, wants basket, labourers/self-employed, mining supply chain	Commercial property, retail property, shopping and fast food, labour broking/professional services, fuels, manufacturing	Pharmaceuticals and healthcare (adjusted service model), agriculture, online entertainment, e-commerce, business enablers/IT services

RMB continues to provide relief to investment and corporate banking clients. Each request was assessed and granted at an individual counterparty level and followed the normal credit approval process. Over the reporting period there was a decline in the number of requests as clients adapted to a new operating environment and liquidity needs became more certain and stabilised. There were, however, several larger reapplications from clients who are primarily in sectors where short-term operating cash flows continue to be adversely impacted by COVID-19 lockdown regulations, e.g. private healthcare, certain sectors of real estate, hotels and leisure.

The remaining amount of relief granted, primarily in the form of short-term debt repayment moratoriums and new bridge finance, amounted to R8.8 billion (June 2020: R14.8 billion) representing a small percentage of underlying client facilities. The aggregate gross exposure of these clients amounted to R31.4 billion (June 2020: R58 billion), or 9% of total advances, of which R13.5 billion (49%) related to reapplications. These amounts include the gross exposure related to clients where relief related to covenants, and only relates to clients where the relief was active at 31 December 2020. Where relief is not considered active, this has not been included given that:

- the clients subsequently did not require the additional liquidity and cancelled these facilities;
- the initial temporary relief has been incorporated into the clients' facilities as a permanent limit within the approved risk appetite framework; or
- there has been a subsequent covenant measurement period and extended relief was not required.

The R31.4 billion gross exposure includes a number of well-rated clients (more than 69% of relief approved was for strongly rated clients) who continue to approach the group proactively in the management of liquidity facilities. The average utilisation relating to general banking facilities for clients who sought relief was 39% at 31 December 2020 (30 June 2020: 50%). The balance of relief as reported at 30 June 2020 has either expired and not been reapplied for, or has been made permanent (upon request from clients) within the risk appetite framework.

Whilst WesBank's FML business is not included in advances, payment holiday relief was provided to 25% (June 2020: 25%) of the customer base and 14% (June 2020: 16%) of value representing R40 million (June 2020: R42 million) of deferred lease payments.

Refer to pages 94 to 109 for more detail on advances where relief was provided.

The table below unpacks the number of customers who utilised COVID-19 relief measures.

Customers remain classified as in relief until they settle the full relief amounts (payment holidays or liquidity facilities). As such, balances are shown on a cumulative basis (i.e. still receiving relief (active) as well as prior (closed)). Because corporate relief was provided largely through covenant waivers, facility increases, or new advances, corporate only reflect counters in active relief.

Extended relief relates to customers who had the terms of their relief extended, i.e. were granted additional facilities or where their payment holiday periods were extended.

	As at 31 December 2020						
	Number of customers (thousands)	**Number of accounts (thousands)**	**Underlying gross advances for which relief was provided (R million)**	**Portion of extended relief gross advances (R million)**	**Total portfolio* (gross advances) (R million)**	**% of portfolio under relief**	**% of relief portfolio under extended relief**
Retail**	**212.6**	**694.8**	**75 763**	**9 865**	**466 335**	**16**	**13**
Commercial	**17.6**	**32.1**	**20 824**	**822**	**132 699**	**16**	**4**
Corporate	#	#	**31 385**	**13 478**	**349 954**	**9**	**43**
UK operations	**85.3**	**85.3**	**70 589**	**6 988**	**289 069**	**24**	**10**
– Active relief	**8.8**	**8.8**	**9 639**	**6 988**	**289 069**	**3**	**72**
– Closed relief	**76.4**	**76.4**	**60 950**	**n/a**	**n/a**	**21**	**n/a**
Total group	**315.5**	**812.2**	**198 561**	**31 153**	**1 275 510**	**16**	**16**

** Total group portfolio includes FCC advances.*

*** Includes FNB rest of Africa core banking customers.*

 # Less than 1 000.

	As at 30 June 2020				
	Number of customers (thousands)	**Number of accounts (thousands)**	**Underlying gross advances for which relief was provided (R million)**	**Total portfolio* (gross advances) (R million)**	**% of portfolio for which relief was provided**
Retail**	**203.3**	**674.3**	**68 834**	**473 102**	**15**
Commercial	**16.7**	**31.0**	**30 832**	**135 030**	**23**
Corporate	#	#	**58 083**	**359 827**	**16**
UK operations	**86.7**	**86.7**	**71 889**	**306 246**	**23**
Total group	**306.7**	**792.0**	**229 638**	**1 311 095**	**18**

** Total group portfolio includes FCC advances.*

*** Includes FNB rest of Africa core banking customers.*

 # Less than 1 000.

Credit highlights continued

Staging and coverage of COVID-19 relief

Retail exposures where relief was offered were assessed to determine whether the requirement of relief was expected to be temporary or permanent in nature. Where the requirement for relief was expected to be temporary, the staging of the exposure as at 29 February 2020 was maintained, and adjustments were made to increase coverage to allow for incremental credit risk and potential masking of normal arrears emergence through the application of COVID-19 scaling factors. Where the requirement for relief was not expected to be temporary in nature, the exposure was treated as a distressed restructure, and staging and coverage were adjusted in line with normal practice. Determining whether the relief was temporary, or a distressed restructure, was based on product-specific definitions incorporating various factors.

Where relief was provided through the provision of an emergency facility and the requirement of relief was expected to be temporary, the facility was treated as a new exposure from a staging perspective. Coverage was calculated on the basis of historical behaviour in similar products while at the same time incorporating the COVID-19 scaling factors (i.e. increasing the coverage). Where the requirement for relief was not expected to be temporary, the staging of the facility was aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages was applied and coverage adjusted with appropriate COVID-19 scaling factors.

In limited instances SA retail exposures applied for an extension of the original three-month payment relief period. The requests were accommodated subject to internally defined qualifying criteria. All such extensions of relief were classified as a significant increase in credit risk, with all associated exposures migrated to stage 2 at a minimum, and lifetime expected credit losses raised. Credit risk assessments were also made with reference to sector/industry risk classifications.

Exposures where relief was offered in commercial were assessed depending on whether a client was in the scored or judgemental portfolio. A volume-based approach was followed for SME customers mainly in the scored portfolio. A value-based approach was followed for judgemental portfolios with underlying specialised product specifications and qualifying criteria in order to determine liquidity relief support. Normal credit mandates were applied for clients in good standing and who were expected to recover. Credit risk assessments were also made with reference to sector/industry risk classifications. The staging of exposures as at 29 February 2020 was maintained and adjustments were made to coverage to allow for incremental credit risk and masking of normal arrears emergence through the application of COVID-19 scaling factors. Where the requirement for relief was approved under high-risk or debt-restructuring mandates, the staging and coverage were adjusted in line with normal practice, also dependent on the arrears and staging status of the exposure as at 29 February 2020.

Collection rates on expired relief have been within expectation for SA retail and have been better than expected in commercial.

In RMB, dedicated COVID-19 credit risk committees and forums considered, through detailed portfolio, sector and counterparty assessments, the risk-rating implications of the lockdown, the COVID-19 short-term relief granted and the revised macroeconomic outlook. Relief extension cases were reviewed on a case-by-case basis to determine the likely sustainability of post-relief payments. This was used to classify significant increase in credit risk on a case-by-case basis.

In the UK, Aldermore and MotoNovo granted first, second and third payment holidays to existing clients in line with the government scheme, with third payment holidays being viewed as a default event and clients being classified as stage 3/NPL.

Increase in NPLs

	31 December 2020 vs 31 December 2019			31 December 2020 vs 30 June 2020		
	R million	**% change**	**Percentage point contribution to overall NPL increase**	**R million**	**% change**	**Percentage point contribution to overall NPL increase**
Operational NPLs*	**4 922**	**15**	**11**	**(2 334)**	**6**	**(4)**
Loans under COVID-19 relief	**4 801**	**–**	**11**	**2 891**	**>100**	**5**
Restructured debt review*	**588**	**17**	**1**	**(303)**	**(7)**	**(1)**
Definition of rehabilitation (technical cures)	**1 317**	**30**	**3**	**2 075**	**57**	**4**
NPLs (excluding UK operations)	**11 628**	**28**	**26**	**2 329**	**5**	**4**
UK operations	**4 622**	**>100**	**10**	**1 675**	**25**	**3**
Total group NPLs	**16 250**	**36**	**36**	**4 004**	**7**	**7**

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. The updated write-off policy has been effective for two financial periods and is therefore now mature and in the base. Changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

SA retail NPLs increased R10 021 million in the 12-month period to R37 320 million at December 2020, however growth moderated substantially to an increase of R2 098 million in the six months from June 2020. NPLs as a percentage of advances increased to 9.01% from 6.50% in December 2019 (8.44% at June 2020), driven by the following factors:

- A 1% contraction of SA retail advances (denominator effect);
- NPL formation for the six months to June 2020 was aggravated by COVID-19, the hard lockdown, customers not qualifying for relief and loans under COVID-19 relief, meeting distressed-restructure requirements being classified as NPLs. For the six months to December 2020, growth moderated due to lower NPL formation offset by expired relief rolling into stage 3 and paying relief loans subject to the 12-month cure rule; and
- WesBank VAF NPLs remained at elevated levels since the onset of COVID-19, which were worsened by delayed write-offs following court closures. It is however key to note the significant slowdown in the roll to NPLs since June 2020, with a large number of accounts that went into NPL now forming part of the technical cure bucket (technical cures/NPLs – December 2020: 22%; December 2019: 19%).

SA corporate and commercial NPLs increased 12% to 2.44% of advances from 2.18% in December 2019 (2.28% in June 2020), reflecting:

- specific high-value counters in commercial property, asset-backed finance and WesBank corporate migrating to NPLs;
- higher levels of operational NPLs in the SME segment reflecting the weak macroeconomic environment and expired relief rolling to stage 3;
- an increase in loans to private equity investee companies' NPLs due to stress events in the particular industries; offset by
- a decline in investment and corporate bank NPLs due to restructure, partial settlement and write-off of large exposures.

UK operations NPLs have risen 34% in pound terms since June 2020, contributing 14% of the total group NPLs (12% for June 2020). This was due to customers requesting a third payment holiday where they had already taken payment relief of at least six months, which was viewed as a default event. In addition, the ban in the UK on motor repossessions during lockdown stalled the work-out of NPLs in MotoNovo.

A detailed analysis of the product-level NPL drivers for specific retail products, and the group in total, is provided on pages 80 to 85.

Credit highlights continued

Stage 2

SA retail stage 2 advances increased 46% as a result of relief extension being relegated to stage 2 as this is viewed as a SICR trigger. However, if positive repayment behaviour post expiry of relief is present (at least three payments) customers cure to stage 1. This was partially offset by a decrease in stage 2 exposures on the non-relief book as customers managed to catch up arrears supported by the low-interest rate environment, noted particularly in the residential mortgage portfolio. Recovery expectations on stage 2 relief advances remain more optimistic than those in non-relief/traditional arrears as a result of the risk-based approach that was followed to assess customer eligibility for relief.

Commercial stage 2 advances declined 5% as stress in the SME portfolio emerged causing rolls into stage 3 and the government-guaranteed loan scheme masking emergence of some arrears, especially in the commercial property portfolio. This was offset by agriculture arrears recovering after good rainfalls alleviated the drought across most of the country.

SA corporate stage 2 advances increased 29%, largely driven by RMB investment banking, which increased 42%. This reflects proactive migration of clients to stage 2 due to the expected adverse impact of COVID-19 on the profitability of certain key industries (e.g. aviation, transportation, leisure, hotels and tourism and high-leverage commercial property finance in certain sectors).

Coverage

	As at 31 December 2020		As at 31 December 2019		As at 30 June 2020	
R million	**Provision**	**Coverage**	Provision	Coverage	Provision	Coverage
Portfolio	**25 370**	**2.09**	15 757	1.30	24 707	1.97
– Stage 1	**11 663**	**1.06**	7 504	0.66	11 335	1.00
– Stage 2	**13 707**	**11.68**	8 253	9.76	13 372	10.93
Stage 3	**28 020**	**45.7**	19 805	44.0	24 673	43.1
Total	**53 390**	**87.1**	35 562	79.0	49 380	86.2

Provisions had increased significantly to June 2020 given the impact of COVID-19 and the IFRS 9 forward-looking outlook. Group portfolio (stage 1 and stage 2) impairment provisions increased 3% from June 2020 (61% from December 2019). Stage 1 impairment provisions increased 3% (5% since December 2019) despite the contraction in advances as out-of-model overlays are created given the increased uncertainty.

Stage 2 impairment provisions increased 3% (66% since December 2019). SA retail stage 2 coverage marginally decreased to 13.42% (June 2020: 13.74%) due to a change in mix in favour of secured advances, in particular higher residential mortgages. Coverage on the stage 2 relief portfolio increased since June 2020 to reflect the increased risk of relief extensions as well as adverse payment behaviour on expired relief that rolled into arrears, which resulted in additional coverage.

Corporate and commercial stage 2 coverage increased to 14.55% (June 2020: 12.09%) due to the impact of specific out-of-model overlays created given the increased macroeconomic uncertainty and the impact of increased COVID-19 coverage levels.

The group’s total performing book (stage 1 and 2) coverage ratio increased to 2.09% (December 2019: 1.30%; June 2020: 1.97%).

The total balance sheet impairment coverage ratio increased to 87.1% (December 2019: 79.0%; June 2020: 86.2%), reflecting:

- substantial additional impairment provisions relating to a materially weaker existing and forward-looking macroeconomic environment compared to that of December 2019;
- the effective retention of the FLI impairment levels despite the decrease in weighting in downside macro assumptions given the rebound from June 2020 as uncertainty remains;
- judgemental out-of-model impairments to capture increased risk and uncertainty relating to various factors, for example expiration of retrenchment and credit protection insurance, property values and distressed industries such as tourism, hotels, leisure and certain sectors of commercial property; and
- the application of COVID-19-related scaling factors to advances on which relief was provided, including higher stage 3 coverage and increased coverage on accounts that came out of relief.

Income statement impairment charge

The group's income statement credit impairment charge increased 1.6 times from R5.9 billion to R9.4 billion. However, this is half of the impairment charge for the six months to June 2020 of R18.4 billion, resulting in a group credit loss ratio of 146 bps (December 2019: 95 bps; six months to June 2020: 287 bps; June 2020: 191 bps). Excluding the UK operations, the group credit loss ratio is 164 bps (December 2019: 106 bps; six months to June 2020: 315 bps; June 2020: 210 bps).

SA retail impairments reflected an increase of 39% to 270 bps (December 2019: 195 bps; six months to June 2020: 416 bps; June 2020: 309 bps). The SA corporate and commercial credit loss ratio increased to 75 bps (December 2019: 33 bps; six months to June 2020: 240 bps; June 2020: 135 bps). The UK operations reported a credit loss ratio of 83 bps (December 2019: 53 bps; six months to June 2020: 190 bps; June 2020: 123 bps).

The impairment charge in all portfolios for the six months to December 2020 reflects a sustained moderation from the elevated levels experienced during the previous six months to June 2020, which were significantly affected by the FLI impact, modification losses, increased arrears and SICR, given the tough macroeconomic environment and strain experienced by customers that did not qualify for relief, all of which have moderated. There was also an improvement in the probabilities assigned to upside and downside economic scenarios compared to those at June 2020, with the upside scenario probability improving 4% to 16% and the downside scenario probability decreasing 5% to 27%.

The group effectively retained balance sheet impairment levels at the June 2020 macroeconomic scenario probability weightings through out-of-model adjustments to capture the risks given the uncertain environment. Refer to pages 210 to 215 for detailed macroeconomic information, including the specific factors included in the expected credit loss (ECL) calculation. A number of other judgemental out-of-model adjustments were also recognised to capture various uncertainties and increased risk (for example, the impact of second and third waves, the effectiveness of government's vaccine programme, of retrenched employees not finding equal alternative employment by the time credit life insurance lapses, uncertainty regarding property values and distressed industries), COVID-19 scaling factors and other industry-specific FLI factors.

Post write-off recoveries decreased 16% to R1 157 million (December 2019: R1 377 million; June 2020: R2 374 million), impacted by the later write-off point and the worsening macro economic environment. Post write-off recoveries reduced mostly in the unsecured and VAF portfolios.

The table on pages 78 and 79 provides an analysis of the income statement impairment charge. The overall increase in balance sheet impairments (credit provisions) amounts to R4.0 billion from June 2020. The increase in balance sheet impairments moderated as the significant downward revisions to key forward-looking economic variables, including a sharp contraction in real GDP, a significant increase in unemployment and weakness in the property markets, were incorporated in the June 2020 provisions. Despite the economic outlook improving from the stressed outlook, the group retained its conservative impairment provisions to capture the uncertainty that remains.

Below are the definitions of the key components of the increase in total balance sheet credit provisions.

- Volume change in stage 1 – Change in stage 1 advances (volume) assuming the same coverage as in the prior period, reflecting very low origination in stage 1 advances.
- Change in stage 1 coverage – Stage 1 coverage increase largely due to the decline in existing and forward-looking macroeconomic indicators impacting various model inputs and judgemental out-of-model adjustments.
- Volume change in stage 2 – Change in stage 2 (volume) advances given the increasing roll rates due to migration of sectors following a SICR as a consequence of COVID-19, expiration of relief period and extended relief in the retail portfolios offset by a decline in stage 2 in corporate and commercial.
- Change in stage 2 coverage – Stage 2 coverage increase largely due to the decline in existing and forward-looking macroeconomic indicators impacting various model inputs and judgemental out-of-model adjustments.
- Stage 3 increase as a consequence of the 36% growth in NPLs with coverage increasing to capture various LGD related uncertainties.

Write-offs and other charges increased R850 million (17%) to R6.3 billion (December 2019: R5.4 billion; June 2020: R10.5 billion). Most of the growth emanated from the unsecured portfolio following the implementation of the recency based write-off policy, resulting in R551 million of additional write-offs. The opening of the courts also increased write-off in the retail secured and rest of Africa portfolios.

The modification loss declined largely in the SA retail secured portfolio, with a smaller decline in the unsecured portfolio, due to customers using COVID-19 relief provided rather than applying for debt review, the backlog on debt review approvals due to court closures and lower rate concessions being granted to customers.

Credit highlights continued

The table below provides an overview of the key drivers of the impairment charge.

INCOME STATEMENT ANALYSIS

	Six months ended 31 December 2020			
R million	**Volume change in stage 1**	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**
SA retail	**(298)**	**488**	**531**	**139**
– Secured	**(34)**	**(61)**	**156**	**111**
– Unsecured	**(264)**	**(71)**	**375**	**28**
– FNB centre	**–**	**620**	**–**	**–**
Commercial	**140**	**(46)**	**(218)**	**304**
Corporate	**4**	**216**	**(1 417)**	**817**
Rest of Africa	**(87)**	**115**	**317**	**(109)**
UK operations	**(21)**	**(202)**	**33**	**(69)**
FCC	**102**	**(83)**	**115**	**(108)**
Total	**(160)**	**488**	**(639)**	**974**

	Six months ended 31 December 2019			
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
SA retail	47	(286)	591	(148)
– Secured	6	(47)	178	(89)
– Unsecured	41	(239)	413	(59)
Commercial	28	(41)	(143)	65
Corporate	(50)	(21)	(199)	267
Rest of Africa	6	(115)	156	(93)
UK operations	102	(81)	39	24
FCC	36	(37)	(22)	(35)
Total	169	(581)	422	80

	Year ended 30 June 2020			
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
SA retail	(344)	1 475	1 731	(329)
– Secured	(50)	364	454	(186)
– Unsecured	(294)	1 111	1 277	(143)
Commercial	(3)	686	(12)	619
Corporate	(34)	513	769	1 570
Rest of Africa	7	193	292	(115)
UK operations	202	733	726	406
FCC	(98)	89	(33)	(3)
Total	(270)	3 689	3 473	2 148

Six months ended 31 December 2020					
Change in stage 3 provisions	Credit provision increase	Modification loss	Write-off and other	Post write-off recoveries	Total
1 248	2 108	303	4 103	(904)	5 610
541	713	93	932	(157)	1 581
707	775	210	3 171	(747)	3 409
–	620	–	–	–	620
356	536	(9)	490	(42)	975
1 032	652	–	170	(2)	820
(89)	147	–	676	(72)	751
828	569	–	785	(117)	1 237
(28)	(2)	–	43	(20)	21
3 347	4 010	294	6 267	(1 157)	9 414

Six months ended 31 December 2019					
Change in stage 3 provisions	Credit provision increase	Modification loss	Write-off and other	Post write-off recoveries	Total
980	1 184	493	3 558	(1 188)	4 047
80	128	200	938	(231)	1 035
900	1 056	293	2 620	(957)	3 012
395	304	2	396	(46)	656
159	156	–	(10)	(25)	121
(341)	(387)	–	858	(52)	419
117	201	–	503	(20)	684
–	(58)	(1)	112	(46)	7
1 310	1 400	494	5 417	(1 377)	5 934

Year ended 30 June 2020					
Change in stage 3 provisions	Credit provision increase	Modification loss	Write-off and other	Post write-off recoveries	Total
4 194	6 727	756	7 196	(1 932)	12 747
2 298	2 880	37	1 673	(405)	4 185
1 896	3 847	719	5 523	(1 527)	8 562
1 094	2 384	1	894	(81)	3 198
(234)	2 584	–	739	(30)	3 293
293	670	19	1 087	(146)	1 630
835	2 902	231	382	(114)	3 401
(4)	(49)	–	234	(71)	114
6 178	15 218	1 007	10 532	(2 374)	24 383

Credit highlights continued

DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

PRODUCT	ADVANCES	
SA retail	● SA retail advances declined 1%, largely as a result of continued low risk appetite. ● Retail secured advances declined 1%, reflecting flat residential mortgage growth and a 5% decrease in VAF. ● Growth in SA retail unsecured slowed to a negative 1%, driven by 1% growth in card and the take-up of COVID-19 emergency loan relief of R4.0 billion. Excluding the relief, retail unsecured contracted 6%.	
Residential mortgages	● Total residential mortgage advances reflected flat growth, despite the supportive interest rate environment and house price growth of 1.5%, reflecting conservative risk appetite. New business through the assisted and unassisted nav>>Home channel is up 9%, however total new business decreased 22% for the six months to December 2020.	
Card	● Advances growth of 1% reflects risk appetite cuts together with lower spending and utilisation.	

STAGE 3/NPLs AND COVERAGE

A further analysis of the R10 021 million increase in SA retail NPLs is provided below.

	SA retail		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	**3 271**	17	12
Loans under COVID-19 relief	**4 801**	–	18
Debt review	**632**	19	2
Technical cures/curing rules	**1 317**	30	5
SA retail NPLs	**10 021**	**37**	**37**

- Residential mortgage NPLs increased 34% (4% since June 2020), reflecting the financial strain on customers aggravated by COVID-19, despite the lower interest rate environment. NPLs in the affordable housing book and premium mortgage lending book reported a 41% and 32% NPL increase, respectively.

- The increase in operational NPLs reflects the strained macroeconomic environment. It also reflects the elevated risk in certain cohorts of advances written previously. The group received some relief in NPLs given higher write-off due to the change in write-off policy to a recency basis during the prior financial year.
- The increase in NPLs since December 2019 is analysed below.

	Card		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	**391**	16	15
Loans under COVID-19 relief	**570**	–	21
Debt review	**178**	81	7
Technical cures/curing rules	**84**	>100	3
Total card NPLs	**1 223**	**46**	**46**

IMPAIRMENT CHARGE

- The SA retail credit loss ratio increased to 270 bps (December 2019: 195 bps; six months to June 2020: 416 bps; June 2020: 309 bps), driven by the migration of extended relief to stage 2 and out-of-model adjustments to address model limitations in capturing uncertainty and COVID-19 scaling factors, offset by book contraction. The impairment charge moderated from the prior six months ended June 2020, as the significant macro decline was captured at June 2020.
- The impairment charge also reflects the decline in post write-off recoveries of R284 million.

- The credit loss ratio increased to 47 bps (December 2019: 22 bps; six months to June 2020: 104 bps; June 2020: 64 bps), reflecting the increased coverage as discussed above as well as growth in NPLs.

- Card reported a credit loss ratio of 5.14% (December 2019: 4.25%; six months to June 2020: 9.15%; June 2020: 6.85%).

Credit highlights continued

PRODUCT	ADVANCES	
Personal loans – FNB loans – DirectAxis – COVID-19 relief	Personal loans increased 1% with growth largely due to the granting of COVID-19 relief loans. Excluding COVID-19 relief loans, personal loans contracted 9%, reflecting continued low risk appetite and lower demand	
Retail other	The 10% decline reflects the lower usage of transactional banking accounts (primarily overdrafts).	
FNB rest of Africa	Advances contracted 5%, impacted by the devaluation of local currencies and continued low risk appetite. A 2% decline in Namibia's advances reflects the ongoing subdued macroeconomic environment. Botswana's advances declined 10%, reflecting the weak macroeconomic environment, cautious lending approach and a sharp decline in the payroll scheme lending product. Ghana reflected strong advances growth following the acquisition of GHL Bank with net advances increasing R1 335 million. Following the group's decision to exit Tanzania, net advances of R421 million were reclassified out of advances to assets held for sale on the balance sheet.	
FNB commercial	Advances contracted 3% excluding the SME government guarantee loan scheme, driven by continued low risk appetite, in the SME unsecured portfolio, and demand. Business core lending (i.e. SME transactional overdrafts) declined 12% reflecting lower utilisation of working capital facilities due to the lack of economic activity. There has been delayed asset replacement related activity from clients resulting in a slow-down in growth of commercial property finance and asset based finance when compared to pre-COVID-19 levels. There was a 1% decline in agricultural and 11% in specialised finance, offset by 1% growth in commercial property finance and 6% in asset-based finance.	

STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE
• The increase in NPLs reflects the weak macroeconomic environment as well as the impact of certain collection process inefficiencies in the first quarter of the prior financial year, which resulted in increased roll rates into stage 3 that are required to meet the stringent cure requirements. This was offset by increased write-offs following the implementation of a recency based methodology. • The increase in FNB loans NPLs since December 2019 is analysed below.	• Personal loans reported a credit loss ratio of 9.36% (December 2019: 8.29%; six months to June 2020: 15.67%; June 2020: 12.06%), reflecting the impact of extended and expired relief and slowing post write-off recoveries. • Coverage was increased to address the risk of lapsed credit life insurance payouts, offset by lower coverage following the implementation of recency-based write-off resulting in poorly performing accounts being written off earlier.
	• Retail other reported a credit loss ratio of 8.27% (December 2019: 8.12%; six months to June 2020: 10.68%; June 2020: 9.62%).
• The rest of Africa portfolio continued to experience headwinds, such as elevated inflation and interest rates, currency devaluation, scarce liquidity and modest economic growth in many jurisdictions. Overall NPLs increased 10%, reflecting the increasingly constrained macroeconomic environment, offset by write-offs of specific clients in Mozambique and Zambia. • NPLs in Namibia trended up further, reflecting ongoing macroeconomic strain and drought conditions, resulting in increased agriculture and commercial property finance NPL formation.	• FNB rest of Africa reported a credit loss ratio of 2.72% (December 2019: 1.54%; six months to June 2020: 4.15%; June 2020: 2.83%).
• NPLs grew 14% from December 2019, reflecting the significant economic strain experienced by many SMEs and, in particular, highly impacted sectors such as hotels and leisure. NPL growth reflects an increase in highly collateralised NPLs in agriculture (both in South Africa and in the rest of Africa), and the migration of a number of highly collateralised commercial property clients during the year. NPLs however reduced 6% from June 2020, partly due to the cure of a significant client out of NPL to stage 1.	• FNB commercial's credit loss ratio increased to 165 bps (December 2019: 111 bps; six months to June 2020: 438 bps; June 2020: 277 bps) reflecting the moderation from the prior six months ended June 2020 as the significant uncertainty was captured at June 2020. • Increased coverage was retained to address the ongoing economic uncertainty.

	Personal loans		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational	**(29)**	**(1)**	**–**
Loans under COVID-19 relief	**1 989**	**–**	**32**
Debt review	**(229)**	**(21)**	**(4)**
Technical cures/curing rules	**(37)**	**(11)**	**(1)**
Total FNB personal loans NPLs	**1 694**	**27**	**27**

Credit highlights continued

PRODUCT	ADVANCES	
RMB CIB*	- The CIB core advances decreased 3% period-on-period due to large settlements and slow book growth, reflective of weak macroeconomic conditions. The SA core advances book decreased 3% and the rest of Africa portfolio increased 1% (however decreased 4% in dollar terms).	
WesBank	- New business production in retail SA VAF contracted 16%, reflecting the impact of COVID-19 on top of an existing challenging environment. Approval rates declined due to deteriorating customer credit scores and disciplined risk appetite, further impacted by increased competitive pressures. - Corporate new business volumes decreased 40%. FML new business slowed as a result of reduced activity during the pandemic. Asset-backed finance (ABF) contracted 21%, a reflection of the difficult macroeconomic environment, risk appetite cuts in high-risk categories and industries, and the fact that a portion of business now reflects in FNB (own-banked clients).	
MotoNovo	- MotoNovo achieved overall combined gross advances growth of 5% in pound terms (14% in rand terms) following strong growth in the months immediately following the first lockdown.	
Aldermore (excluding MotoNovo Finance)	- Negative growth of 1% in pound terms (7% increase in rand terms) reflected the negative impact of the extended third wave lockdown. Prior to the lockdown, there were strong new business levels in owner-occupied mortgages due to the stamp duty cut incentive. Commercial reflects advances growth due to targeted invoice finance origination driven by larger deals together with strong growth in commercial mortgages, offset by a decline in asset finance origination due to lower customer activity.	

Core advances.

STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE
● NPLs (including RMB rest of Africa) decreased 3% in investment and corporate banking due to restructure, partial settlement and write-off of corporate counters. However, NPLs on loans to private equity investee companies increased by R1.2 billion given stress in the particular industries.	● The core lending portfolio reported a 34 bps credit loss ratio (December 2019: 5 bps; June 2020: 75 bps) reflecting proactive provisioning in distressed industries. ● Increased impairment charges were raised in private equity portfolios in affected industries, which increased the overall charge to 47 bps.
● WesBank retail VAF NPLs increased 50% from the prior period, however NPL growth moderated to 7% from June 2020. NPL growth is primarily due to a significant number of accounts rolling into stage 3 as a result of increased macroeconomic strain, together with the delays in write-offs caused by court closure. There has been a slowdown in the rate of roll into stage 3 since June 2020, with most of the accounts that went into NPL now forming part of the technical cure bucket (technical cures – December 2020: 23%; December 2019: 19%).	● The retail VAF portfolio reported a credit loss ratio of 204 bps (December 2019: 149 bps; six months to June 2020: 376 bps; June 2020: 264 bps), driven by the increase in roll into stage 3. Coverage has been increased due to the ongoing economic uncertainty.
● MotoNovo NPLs increased 74% in pound terms (89% in rand terms) since December 2019, reflecting the impact of the extended COVID-19 lockdown in the UK, the repossession ban on the industry and the maturing of the portfolio.	● The impairment charge was negatively affected by the FLI impact, strong advances growth and sticky NPLs, resulting in a credit loss ratio of 180 bps (December 2019: 148 bps; six months ended June 2020: 402 bps; June 2020: 276 bps).
● Aldermore NPLs reflect the significant effect of COVID-19 and the extended second wave lockdown on the British economy. NPLs increased >100% in both pound and rand terms, resulting in NPLs as a percentage of advances of 2.90% (December 2019: 1.30%; June 2020: 2.09%). NPL growth was impacted by customer's requests for third payment holidays, which resulted in migration to stage 3, and a small number of large clients in asset finance defaulting during the period. NPL build-up slowed to 38% in pound terms (29% in rand terms) since June 2020.	● Aldermore reported a credit loss ratio of 50 bps (December 2019: 22 bps; six months ended June 2020: 119 bps; June 2020: 72 bps). ● The impairment charge increased as a result of a more adverse macroeconomic outlook following the extended lockdown in the UK, and the implementation of a new FLI model which incorporates a wider range of macroeconomic factors and judgemental out-of-model impairments to address the ongoing uncertainty.

Credit continued

The tables below provide an overview of the restructured debt-review and operational stage 3/NPL balances and technical cures.

				Loans under COVID-19 relief in stage 3		
R million	**Operational stage 3/NPLs***	**Technical cures**	**Paying restructured debt-review stage 3/NPLs***	**Paying relief stage 3**	**>90 days in arrears/ operational stage 3**	**Loans under COVID-19 relief in stage 3**
December 2020						
Residential mortgages	**7 239**	**2 873**	**612**	**877**	**582**	**1 459**
FNB card	**2 825**	**90**	**397**	**293**	**277**	**570**
Personal loans	**4 751**	**294**	**868**	**996**	**993**	**1 989**
Retail other	**1 451**	**58**	**359**	**264**	**300**	**564**
FNB retail NPLs	**16 266**	**3 315**	**2 236**	**2 430**	**2 152**	**4 582**
WesBank VAF	**6 538**	**2 408**	**1 756**	**219**	**–**	**219**
Total retail NPLs	**22 804**	**5 723**	**3 992**	**2 649**	**2 152**	**4 801**

				Loans under COVID-19 relief in stage 3		
R million	Operational stage 3/NPLs*	Technical cures	Paying restructured debt-review stage 3/NPLs*	Paying relief stage 3	>90 days in arrears/ operational stage 3	Loans under COVID-19 relief in stage 3
December 2019						
Residential mortgages	5 955	2 645	486			
FNB card	2 434	6	219			
Personal loans	4 780	331	1 097			
Retail other	1 664	49	346			
FNB retail NPLs	14 833	3 031	2 148			
WesBank VAF	4 700	1 375	1 212			
Discovery card	95	–	44			
Total retail NPLs	19 628	4 406	3 404			

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. It has been effective for two financial periods and is therefore now mature and in the base. Changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

Total stage 3/NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3 as a % of total stage 3/NPLs
12 183	**34**	**22**	**24**	**5**	**12**
3 882	**46**	**16**	**2**	**10**	**15**
7 902	**27**	**(1)**	**4**	**11**	**25**
2 432	**18**	**(13)**	**2**	**15**	**23**
26 399	**32**	**10**	**13**	**8**	**17**
10 921	**50**	**39**	**22**	**16**	**2**
37 320	**36**	**16**	**15**	**11**	**13**

Total stage 3/NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3 as a % of total stage 3/NPLs
9 086	12	13	29	5	
2 659	57	84	–	8	
6 208	25	48	5	18	
2 059	24	22	2	17	
20 012	22	33	15	11	
7 287	3	10	19	17	
139	(2)	(14)	–	32	
27 438	16	26	16	12	

Credit continued

				Loans under COVID-19 relief in stage 3		
R million	Operational stage 3/NPLs*	Technical cures	Paying restructured debt-review stage 3/NPLs*	Paying relief stage 3	>90 days in arrears/ operational stage 3	Loans under COVID-19 relief in stage 3
June 2020						
Residential mortgages	8 188	2 390	795			289
FNB card	2 887	28	490			270
Personal loans	5 391	239	902			892
Retail other	1 361	52	464			330
FNB retail NPLs	17 827	2 709	2 651			1 781
WesBank VAF	7 542	939	1 644			129
Total retail NPLs	25 369	3 648	4 295			1 910

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. It has been effective for two financial periods and is therefore now mature and in the base. Changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

Total stage 3/NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3 as a % of total stage 3/NPLs
11 662	35	46	20	7	2
3 675	62	41	1	13	7
7 424	27	36	3	12	12
2 207	11	(17)	2	21	15
24 968	33	34	11	11	7
10 254	44	70	9	16	1
35 222	35	42	10	12	5

Credit continued

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 31 December		% change	As at 31 December		
				2020		
R million	**2020**	2019		**Stage 1**	**Stage 2**	**Stage 3**
SA retail	**414 292**	419 792	(1)	**334 709**	**42 263**	**37 320**
Retail – secured	**326 225**	330 684	(1)	**273 226**	**29 895**	**23 104**
Residential mortgages	**224 409**	223 979	–	**193 551**	**18 675**	**12 183**
WesBank VAF	**101 816**	106 705	(5)	**79 675**	**11 220**	**10 921**
Retail – unsecured	**88 067**	89 108	(1)	**61 483**	**12 368**	**14 216**
FNB card	**30 535**	30 098	1	**24 325**	**2 328**	**3 882**
Personal loans	**41 174**	40 796	1	**25 972**	**7 300**	**7 902**
– FNB and DirectAxis*	**37 161**	40 796	(9)	**23 903**	**5 609**	**7 649**
– COVID-19 relief	**4 013**	–	–	**2 069**	**1 691**	**253**
Retail other	**16 358**	18 214	(10)	**11 186**	**2 740**	**2 432**
SA corporate and commercial	**471 320**	467 771	1	**424 750**	**35 092**	**11 478**
FNB commercial	**106 012**	107 402	(1)	**92 326**	**7 092**	**6 594**
– FNB commercial	**104 481**	107 402	(3)	**90 882**	**7 007**	**6 592**
– SME government-guaranteed loan scheme	**1 531**	–	–	**1 444**	**85**	**2**
WesBank corporate	**26 687**	29 855	(11)	**24 190**	**1 393**	**1 104**
RMB investment banking[**,#]	**266 510**	251 103	6	**241 175**	**22 291**	**3 044**
– Lending	**258 364**	243 456	6	**235 997**	**20 597**	**1 770**
– Loans to private equity investee companies	**8 146**	7 647	7	**5 178**	**1 694**	**1 274**
RMB corporate banking[**,#]	**52 842**	59 728	(12)	**47 790**	**4 316**	**736**
HQLA corporate advances[#,+]	**19 269**	19 683	(2)	**19 269**	**–**	**–**
Rest of Africa	**63 376**	65 113	(3)	**52 820**	**6 527**	**4 029**
FNB	**52 043**	54 819	(5)	**42 802**	**5 212**	**4 029**
RMB (corporate and investment banking)[#]	**11 333**	10 294	10	**10 018**	**1 315**	**–**
FCC (including Group Treasury)	**37 453**	41 505	(10)	**37 271**	**79**	**103**
Securitisation notes	**25 039**	25 923	(3)	**25 039**	**–**	**–**
Discovery card	**–**	3 400	(100)	**–**	**–**	**–**
Other	**12 414**	12 182	2	**12 232**	**79**	**103**
Total advances excluding UK operations	**986 441**	994 181	(1)	**849 550**	**83 961**	**52 930**
UK operations (£ million)	**14 407**	14 394	–	**12 329**	**1 662**	**416**
Aldermore retail	**7 397**	7 246	2	**6 420**	**770**	**207**
Aldermore commercial	**3 216**	3 528	(9)	**2 627**	**488**	**101**
Total MotoNovo	**3 794**	3 620	5	**3 282**	**404**	**108**
– MotoNovo VAF (front book)	**2 609**	1 317	98	**2 353**	**221**	**35**
– MotoNovo VAF (back book)	**1 176**	2 281	(48)	**920**	**183**	**73**
– MotoNovo loans (back book)	**9**	22	(59)	**9**	**–**	**–**
UK operations (R million)	**289 069**	265 145	9	**247 359**	**33 355**	**8 355**
Total advances including UK operations[‡]	**1 275 510**	1 259 326	1	**1 096 909**	**117 316**	**61 285**
Total advances excluding currency impact of UK operations and RMB cross-border[^]	**1 249 659**	1 259 326	(1)	**1 074 756**	**114 302**	**60 601**
Of which:						
Accrual book	**1 186 488**	1 189 466	–	**1 011 048**	**114 297**	**61 143**
Fair value book	**89 022**	69 860	27	**85 861**	**3 019**	**142**

Advances				
As at 31 December			**% com-position**	As at 30 June
2019				
Stage 1	Stage 2	Stage 3	**2020**	2020
363 448	29 045	27 299	**32**	417 234
292 275	22 036	16 373	**25**	328 418
203 787	11 106	9 086	**17**	224 404
88 488	10 930	7 287	**8**	104 014
71 173	7 009	10 926	**7**	88 816
25 919	1 520	2 659	**2**	30 210
30 521	4 067	6 208	**3**	41 874
30 521	4 067	6 208	**3**	39 546
–	–	–	**–**	2 328
14 733	1 422	2 059	**2**	16 732
428 524	29 032	10 215	**37**	484 345
94 680	6 935	5 787	**8**	107 916
94 680	6 935	5 787	**8**	107 571
–	–	–	**–**	345
27 785	1 533	537	**2**	27 114
232 436	15 697	2 970	**21**	260 850
227 358	13 212	2 886	**20**	252 665
5 078	2 485	84	**1**	8 185
53 940	4 867	921	**4**	68 445
19 683	–	–	**2**	20 020
57 055	4 409	3 649	**5**	66 380
47 292	3 879	3 648	**4**	55 868
9 763	530	1	**1**	10 512
41 246	120	139	**3**	36 890
25 923	–	–	**2**	26 419
3 184	77	139	**–**	–
12 139	43	–	**1**	10 471
890 273	62 606	41 302	**77**	1 004 849
13 000	1 192	202		14 293
6 489	671	86		7 360
3 140	334	54		3 347
3 371	187	62		3 586
1 294	18	5		1 879
2 056	168	57		1 693
21	1	–		14
239 469	21 943	3 733	**23**	306 246
1 129 742	84 549	45 035	**100**	1 311 095
1 129 742	84 549	45 035		1 256 685
1 061 241	83 541	44 684	**93**	1 240 659
68 501	1 008	351	**7**	70 436

** Includes DirectAxis loans of R14 966 million (December 2019: R16 580 million; June 2020: R16 134 million).*

*** Includes activities in India and represents the in-country balance sheet.*

 # Corporate and investment banking including HQLA advances of R349 954 million (December 2019: R340 808 million; June 2020: R359 827 million).

+ Managed by the Group Treasurer.

‡ Included in advances are assets under agreement to resell of R56 525 million (December 2019: R37 438; June 2020: R26 964 million).

^ If the exchange rate had remained unchanged from 31 December 2019.

Credit continued

CIB ADVANCES BREAKDOWN

	Advances				
	As at 31 December				As at 30 June
R million	**2020**	2019	% change	**% composition 2020**	2020
RMB investment banking core advances	**219 315**	218 345	–	**73**	239 534
– South Africa	**187 021**	188 355	(1)	**62**	200 035
– Cross-border (rest of Africa) – $ million	**2 200**	2 142	3		2 276
– Cross-border (rest of Africa)	**32 294**	29 990	8	**11**	39 499
HQLA corporate advances*	**19 269**	19 683	(2)	**6**	20 020
RMB corporate banking core advances	**50 961**	59 230	(14)	**17**	67 538
– South Africa	**35 719**	41 276	(13)	**12**	47 680
– Cross-border (rest of Africa) – $ million	**1 038**	1 282	(19)		1 144
– Cross-border (rest of Africa)	**15 242**	17 954	(15)	**5**	19 858
RMB rest of Africa (in-country)	**11 333**	10 294	10	**4**	10 512
CIB total core advances	**300 878**	307 552	(2)	**100**	337 604
CIB total lending advances	**292 732**	299 905	(2)	**97**	329 419
CIB shareholder loans to PE investing companies	**8 146**	7 647	7	**3**	8 185
CIB total core advances	**300 878**	307 552	(2)	**100**	337 604
CIB core advances – South Africa**	**242 009**	249 314	(3)	**80**	267 735
CIB core advances – rest of Africa[#]	**58 869**	58 238	1	**20**	69 869
CIB total core advances	**300 878**	307 552	(2)	**100**	337 604
Total advances excluding currency impact of RMB cross-border[†]	**45 341**	47 944	(5)		47 876

* *Managed by the Group Treasurer.*

** *CIB core advances – South Africa is the sum of RMB IB SA core advances, RMB CB SA advances and HQLA corporate advances.*

[#] *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances, RMB CB cross-border core advances and RMB rest of Africa in-country advances.*

[†] *If the exchange rate had remained unchanged from 31 December 2019.*

The table below shows assets under agreements to resell that are included in the RMB CIB loan book.

	Advances				
	As at 31 December				As at 30 June
R million	**2020**	2019	% change	**% composition 2020**	2020
Corporate and investment banking advances*	**349 954**	340 808	3	100	359 827
Less: assets under agreements to resell	**(49 076)**	(33 256)	48	(14)	(22 223)
RMB advances net of assets under agreements to resell	**300 878**	307 552	(2)	86	337 604

* *Include rest of Africa advances and HQLA.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December		% change	**% composition 2020**	As at 30 June
R million	**2020**	2019			2020
Sector analysis					
Agriculture	**44 017**	44 692	(2)	**3**	45 598
Banks	**40 570**	22 591	80	**3**	16 439
Financial institutions*	**151 375**	163 165	(7)	**12**	157 250
Building and property development	**72 336**	68 699	5	**6**	76 619
Government, Land Bank and public authorities	**20 526**	21 409	(4)	**2**	22 862
Individuals	**635 504**	630 775	1	**50**	655 763
Manufacturing and commerce	**132 693**	135 617	(2)	**10**	141 949
Mining	**15 331**	15 479	(1)	**1**	24 535
Transport and communication	**29 216**	30 351	(4)	**2**	32 340
Other services	**133 942**	126 548	6	**11**	137 740
Total advances including UK operations	**1 275 510**	1 259 326	1	**100**	1 311 095
Geographic analysis					
South Africa	**827 472**	862 031	(4)	**65**	853 596
Rest of Africa	**101 918**	105 401	(3)	**8**	113 038
UK	**318 770**	269 926	18	**25**	316 360
Other Europe	**16 044**	12 034	33	**1**	13 919
North America	**3 703**	3 475	7	**–**	6 052
South America	**3**	4	(25)	**–**	3
Australasia	**145**	129	12	**–**	152
Asia	**7 455**	6 326	18	**1**	7 975
Total advances including UK operations	**1 275 510**	1 259 326	1	**100**	1 311 095

* *Includes investment holding companies.*

Credit continued

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

The tables that follow provide additional information on COVID-19 relief provided to customers. It includes:

- Advances for which no relief was provided.
- Advances which received relief, including further information on:
  - advances that had received relief at 30 June 2020 and for which relief was extended after the initial period; and
  - new relief provided during the six months ended 31 December 2020.

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Retail	348 367	293 288	24 006	31 073
Residential mortgages	191 934	170 955	10 255	10 724
WesBank VAF	86 044	69 538	7 250	9 256
FNB card	25 721	21 312	1 097	3 312
Personal loans	31 313	20 879	4 521	5 913
Retail other	13 355	10 604	883	1 868
FNB centre	–	–	–	–

RETAIL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Retail	65 925	41 421	18 257	6 247
Residential mortgages	32 475	22 596	8 420	1 459
WesBank VAF	15 772	10 137	3 970	1 665
FNB card	4 814	3 013	1 231	570
Personal loans	5 848	3 024	1 088	1 736
Personal loans – COVID-19 relief*	4 013*	2 069	1 691	253
Retail other	3 003	582	1 857	564
Total retail advances	414 292	334 709	42 263	37 320

* *Coverage based on EAD.*

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
22 351	7 656	14 695	71.9	2.41	47.3
3 681	1 258	2 423	34.3	0.69	22.6
5 166	1 195	3 971	55.8	1.56	42.9
3 617	1 066	2 551	109.2	4.76	77.0
6 746	2 438	4 308	114.1	9.60	72.9
2 521	1 079	1 442	135.0	9.39	77.2
620	620	–	–	–	–

Balance sheet impairments			Coverage			Liquidity facility	
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	Utilised	Committed undrawn
5 571	3 022	2 549	89.2	5.06	40.8	4 013	–
693	519	174	47.5	1.67	11.9	682	–
950	591	359	57.1	4.19	21.6	443	–
850	512	338	149.1	12.06	59.3	975	–
1 658	548	1 110	95.5	13.33	63.9	832	–
721	511	210	285.0	13.59	83.0	–	–
699	341	358	123.9	13.98	63.5	1 081	–

27 922	10 678	17 244	74.8	2.83	46.2

Credit continued

RETAIL ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Retail	9 636	4 973	5 211	1 080
Residential mortgages	**3 844**	**3 389**	**370**	**85**
WesBank VAF	**1 058**	**1**	**822**	**235**
FNB card	**1 267**	**412**	**732**	**123**
Personal loans	**1 580**	**769**	**321**	**490**
Personal loans – COVID-19 relief*	**1 628**	**201**	**1 372**	**55**
Retail other	**259**	**–**	**222**	**37**

* *Coverage based on EAD.*

RETAIL ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Retail	4 351	2 841	1 081	560
Residential mortgages	**2 159**	**1 703**	**372**	**84**
WesBank VAF	**1 114**	**607**	**238**	**269**
FNB card	**229**	**137**	**62**	**30**
Personal loans	**263**	**123**	**43**	**97**
Personal loans – COVID-19 relief*	**131**	**99**	**31**	**1**
Retail other	**455**	**73**	**304**	**78**

* *Coverage based on EAD.*

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
1 450	897	553	141.5	8.81	54.0
138	131	7	162.4	3.48	8.2
145	89	56	61.7	10.81	23.8
322	219	103	261.8	19.14	83.7
489	166	323	99.8	15.23	65.9
279	238	41	507.3	15.13	74.6
77	54	23	208.1	24.32	62.2

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
492	280	212	88.0	7.14	37.9
78	72	6	92.9	3.47	7.1
122	51	71	45.4	6.04	26.4
52	29	23	173.3	14.57	76.7
85	23	62	87.6	13.86	63.9
23	22	1	>1 000	16.92	100.0
132	83	49	169.2	20.02	62.8

Credit continued

COMMERCIAL ADVANCES WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	87 186	75 811	5 255	6 120
Overdrafts	17 861	13 448	2 158	2 255
Agriculture	31 035	28 195	1 385	1 455
Asset-based finance	10 064	9 146	374	544
Specialised finance	6 793	6 076	484	233
Commercial property finance	16 240	14 590	420	1 230
Government-guaranteed loan scheme	1 531	1 444	85	2
Other	3 662	2 912	349	401
WesBank corporate	24 689	22 610	1 128	951
Total commercial	111 875	98 421	6 383	7 071

COMMERCIAL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	18 826	16 515	1 837	474
Overdrafts	539	505	20	14
Agriculture	983	944	36	3
Asset-based finance	3 164	2 454	473	237
Specialised finance	1 928	1 724	189	15
Commercial property finance	11 735	10 593	937	205
Government-guaranteed loan scheme	–	–	–	–
Other	477	295	182	–
WesBank corporate	1 998	1 580	265	153
Total commercial	20 824	18 095	2 102	627
Total commercial advances	132 699	116 516	8 485	7 698

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
6 180	2 767	3 413	101.0	3.41	55.8
3 222	1 281	1 939	142.8	8.21	86.0
682	229	453	46.9	0.77	31.1
299	96	203	55.0	1.01	37.3
377	190	187	161.8	2.90	80.3
649	356	293	52.8	2.37	23.8
95	95	–	>1 000	6.21	–
858	520	338	214.0	15.95	84.3
506	150	356	53.2	0.63	37.4
6 686	2 917	3 769	94.6	2.78	53.3

Balance sheet impairments			Coverage			SME government-guaranteed loan scheme			
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3	Drawn	Undrawn	Total balance sheet provisions	Total coverage
322	197	125	67.9	1.07	26.4	1 531	56	94	5.9
28	19	9	200.0	3.62	64.3	–	–	–	–
10	9	1	333.3	0.92	33.3	–	–	–	–
115	52	63	48.5	1.78	26.6	–	–	–	–
28	16	12	186.7	0.84	80.0	275	14	17	5.9
131	91	40	63.9	0.79	19.5	–	–	–	–
–	–	–	–	–	–	–	–	–	–
10	10	–	–	2.10	–	1 256	42	77	5.9
62	24	38	40.5	1.30	24.8	–	–	–	–
384	221	163	61.2	1.09	26.0	1 531	56	94	5.9

7 070	3 138	3 932	91.8	2.51	51.1

Credit continued

COMMERCIAL ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
FNB commercial	**801**	**604**	**197**	**–**
Overdrafts	**–**	**–**	**–**	**–**
Agriculture	**–**	**–**	**–**	**–**
Asset-based finance	**45**	**41**	**4**	**–**
Specialised finance	**–**	**–**	**–**	**–**
Commercial property finance	**756**	**563**	**193**	**–**
Government-guaranteed loan scheme	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**
WesBank corporate	**21**	**18**	**3**	**–**
Total commercial	**822**	**622**	**200**	**–**

COMMERCIAL ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
FNB commercial	**–**	**–**	**–**	**–**
Overdrafts	**–**	**–**	**–**	**–**
Agriculture	**–**	**–**	**–**	**–**
Asset-based finance	**–**	**–**	**–**	**–**
Specialised finance	**–**	**–**	**–**	**–**
Commercial property finance	**–**	**–**	**–**	**–**
Government-guaranteed loan scheme	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**
WesBank corporate	**–**	**–**	**–**	**–**
Total commercial	**–**	**–**	**–**	**–**

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
14	14	–	–	1.75	–
–	–	–	–	–	–
–	–	–	–	–	–
1	1	–	–	2.22	–
–	–	–	–	–	–
13	13	–	–	1.72	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
14	14	–	–	1.70	–

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

Credit continued

CIB ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3 /NPLs**
CIB	**308 417**	**284 759**	**19 878**	**3 780**
RMB investment banking	**260 187**	**241 355**	**15 788**	**3 044**
RMB corporate banking	**48 230**	**43 404**	**4 090**	**736**

CIB ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
CIB	**30 204**	**23 475**	**6 729**	**–**
RMB investment banking	**25 592**	**19 089**	**6 503**	**–**
RMB corporate banking	**4 612**	**4 386**	**226**	**–**
Total CIB	**338 621**	**308 234**	**26 607**	**3 780**

CIB ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
CIB	**13 478**	**7 191**	**6 288**	**–**
RMB investment banking	**11 563**	**5 426**	**6 137**	**–**
RMB corporate banking	**1 915**	**1 765**	**151**	**–**

Balance sheet impairments			Coverage		
Total balance sheet provisions	**Portfolio impairments**	**Stage 3**	**Total coverage**	**Performing coverage**	**Stage 3**
6 398	4 788	1 610	169.3	1.57	42.6
5 072	3 713	1 359	166.6	1.44	44.7
1 326	1 075	251	180.2	2.26	34.1

Balance sheet impairments			Coverage			Relief provided		
Total balance sheet provisions	**Portfolio impairments**	**Stage 3**	**Total coverage**	**Performing coverage**	**Stage 3**	**New money**	**Relaxed payments**	**Covenant waivers**
759	759	–	–	2.51	–	7 552	666	20 237
729	729	–	–	2.85	–	1 117	540	18 084
30	30	–	–	0.65	–	6 435	126	2 153
7 157	5 547	1 610	189.3	1.66	42.6	7 552	666	20 237

Balance sheet impairments			Coverage			Relief provided		
Total balance sheet provisions	**Portfolio impairments**	**Stage 3**	**Total coverage**	**Performing coverage**	**Stage 3**	**New money**	**Relaxed payments**	**Covenant waivers**
452	452	–	–	3.35	–	2 345	243	9 891
438	438	–	–	3.79	–	25	243	8 079
14	14	–	–	0.73	–	2 320	–	1 812

Credit continued

CIB ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
CIB	**3 221**	**2 854**	**367**	**–**
RMB investment banking	**3 210**	**2 843**	**367**	**–**
RMB corporate banking	**11**	**11**	**–**	**–**

REST OF AFRICA ADVANCES WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Rest of Africa	**52 357**	**43 097**	**5 236**	**4 024**
FNB	**42 205**	**33 294**	**4 887**	**4 024**
RMB	**10 152**	**9 803**	**349**	**–**

REST OF AFRICA ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Rest of Africa	**11 019**	**9 723**	**1 291**	**5**
FNB	**9 838**	**9 508**	**325**	**5**
RMB	**1 181**	**215**	**966**	**–**
Total rest of Africa	**63 376**	**52 820**	**6 527**	**4 029**

	Balance sheet impairments			Coverage			Relief provided		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
	15	15	–	–	0.47	–	520	25	2 894
	13	13	–	–	0.40	–	500	25	2 893
	2	2	–	–	18.18	–	20	–	1

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
	4 194	1 641	2 553	104.2	3.40	63.4
	3 988	1 435	2 553	99.1	3.76	63.4
	206	206	–	–	2.03	–

	Balance sheet impairments			Coverage			Relief provided		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
	586	583	3	>1000	5.29	60.0	1 057	1 064	97
	504	501	3	>1000	5.10	60.0	561	930	–
	82	82	–	–	6.94	–	496	134	97
	4 780	2 224	2 556	118.6	3.75	63.4	1 057	1 064	97

Credit continued

REST OF AFRICA ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Rest of Africa	**229**	**177**	**52**	**–**
FNB	**229**	**177**	**52**	**–**
RMB	**–**	**–**	**–**	**–**

REST OF AFRICA ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Rest of Africa	**6 811**	**6 725**	**85**	**1**
FNB	**6 787**	**6 725**	**61**	**1**
RMB	**24**	**–**	**24**	**–**

UK OPERATIONS ADVANCES WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advances		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
UK operations	**218 480**	**195 976**	**19 119**	**3 385**
Aldermore retail	**103 448**	**93 221**	**8 522**	**1 705**
Aldermore commercial	**47 445**	**41 002**	**5 702**	**741**
Total MotoNovo	**67 587**	**61 753**	**4 895**	**939**

Balance sheet impairments			Coverage			Relief provided		
Total balance sheet provisions	**Portfolio impair-ments**	**Stage 3**	**Total coverage**	**Performing coverage**	**Stage 3**	**New money**	**Relaxed payments**	**Covenant waivers**
7	7	–	–	3.06	–	13	22	–
7	7	–	–	3.06	–	13	22	–
–	–	–	–	–	–	–	–	–

Balance sheet impairments			Coverage			Relief provided		
Total balance sheet provisions	**Portfolio impair-ments**	**Stage 3**	**Total coverage**	**Performing coverage**	**Stage 3**	**New money**	**Relaxed payments**	**Covenant waivers**
464	464	–	>1000	6.81	–	387	664	–
440	440	–	>1000	6.48	–	387	642	–
24	24	–	–	100.00	–	–	22	–

Balance sheet impairments			Coverage		
Total balance sheet provisions	**Portfolio impair-ments**	**Stage 3**	**Total coverage**	**Performing coverage**	**Stage 3**
2 906	1 725	1 181	85.8	0.80	34.9
599	321	278	35.1	0.32	16.3
742	436	306	100.1	0.93	41.3
1 565	968	597	166.7	1.45	63.6

Credit continued

UK OPERATIONS ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
£ million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
UK operations	**3 519**	**2 562**	**709**	**248**
Aldermore retail	2 241	1 774	345	122
Aldermore commercial	852	585	203	64
Total MotoNovo	426	203	161	62
Total UK operations	**14 407**	**12 329**	**1 662**	**416**

UK OPERATIONS ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
£ million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
UK operations	**348**	**242**	**62**	**44**
Aldermore retail	241	185	35	21
Aldermore commercial	84	49	17	18
Total MotoNovo	23	8	10	5

UK OPERATIONS ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
£ million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3 /NPLs**
UK operations	**132**	**97**	**24**	**11**
Aldermore retail	100	80	12	8
Aldermore commercial	4	3	–	1
Total MotoNovo	28	14	12	2
Total UK operations	**480**	**339**	**86**	**55**

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
133	66	67	53.5	2.01	27.0
25	13	12	20.4	0.60	9.9
36	17	19	55.7	2.11	29.9
72	36	36	116.8	9.93	58.0
277	152	125	65.6	1.08	30.2

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
16	5	11	36.4	1.83	23.7
3	1	2	16.2	0.55	10.4
6	–	6	32.4	0.55	30.4
7	4	3	133.8	22.22	54.3

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
6	4	2	59.5	3.89	17.4
1	–	1	13.4	0.47	8.2
–	–	–	36.8	0.49	35.5
5	4	1	319.7	16.25	51.7
22	9	13	41.1	2.42	22.4

Credit continued

NOTE 2: ANALYSIS OF BALANCE SHEET IMPAIRMENTS (STAGE 1 AND 2)

	Total portfolio impairments						
	As at 31 December			As at 31 December			
				2020		2019	
R million	**2020**	2019	% change	**Stage 1**	**Stage 2**	Stage 1	Stage 2
Portfolio impairments							
SA retail	**10 678**	7 489	43	**5 007**	**5 671**	3 447	4 042
Retail – secured	**3 563**	2 857	25	**1 211**	**2 352**	951	1 906
Residential mortgages	**1 777**	961	85	**669**	**1 108**	376	585
WesBank VAF	**1 786**	1 896	(6)	**542**	**1 244**	575	1 321
Retail – unsecured	**6 495**	4 632	40	**3 176**	**3 319**	2 496	2 136
FNB card	**1 578**	983	61	**939**	**639**	607	376
Personal loans	**3 497**	2 375	47	**1 566**	**1 931**	1 135	1 240
– FNB and DirectAxis*	**2 986**	2 375	26	**1 410**	**1 576**	1 135	1 240
– COVID-19 relief	**511**	–	–	**156**	**355**	–	–
Retail other	**1 420**	1 274	11	**671**	**749**	754	520
FNB centre	**620**	–	–	**620**	**–**	–	–
SA corporate and commercial	**8 685**	4 683	85	**3 580**	**5 105**	2 020	2 663
FNB commercial	**2 964**	1 403	>100	**1 500**	**1 464**	704	699
– FNB commercial	**2 870**	1 403	>100	**1 412**	**1 458**	704	699
– SME government-guaranteed loan scheme	**94**	–	–	**88**	**6**	–	–
WesBank corporate	**174**	174	–	**102**	**72**	108	66
RMB investment banking**	**4 442**	2 585	72	**1 777**	**2 665**	1 001	1 584
– Lending	**3 368**	1 748	93	**1 681**	**1 687**	947	801
– Loans to private equity investee companies	**1 074**	837	28	**96**	**978**	54	783
RMB corporate banking**	**1 105**	521	>100	**201**	**904**	207	314
HQLA corporate advances	**–**	–	–	**–**	**–**	–	–
Rest of Africa	**2 224**	1 565	42	**1 035**	**1 189**	698	867
FNB	**1 936**	1 332	45	**889**	**1 047**	557	775
RMB (corporate and investment banking)	**288**	233	24	**146**	**142**	141	92
FCC (including Group Treasury)	**743**	704	6	**584**	**159**	573	131
Securitisation notes	**32**	26	23	**32**	**–**	26	–
Discovery card	**–**	81	(100)	**–**	**–**	55	26
Other	**711**	597	19	**552**	**159**	492	105
Total portfolio impairments excluding UK operations	**22 330**	14 441	55	**10 206**	**12 124**	6 738	7 703
UK operations	**3 040**	1 316	>100	**1 457**	**1 583**	766	550
Aldermore retail	**578**	134	>100	**381**	**197**	84	50
Aldermore commercial	**770**	379	>100	**379**	**391**	224	155
Total MotoNovo	**1 692**	803	>100	**697**	**995**	458	345
– MotoNovo VAF (front book)	**1 152**	265	>100	**576**	**576**	212	53
– MotoNovo VAF (back book)	**527**	515	2	**111**	**416**	229	286
– MotoNovo loans (back book)	**13**	23	(43)	**10**	**3**	17	6
Total portfolio impairments including UK operations	**25 370**	15 757	61	**11 663**	**13 707**	7 504	8 253

* *Includes DirectAxis loans of R1 354 million (December 2019: R1 173 million; June 2020: R1 418 million).*

** *Includes activities in India and represents the in-country balance sheet.*

Total portfolio impairments							
	Performing book coverage ratios (% of performing advances)						
As at 30 June	As at 31 December						As at 30 June
2020	**Stage 1**	**Stage 2**	**2020**	Stage 1	Stage 2	2019	2020
9 818	**1.50**	**13.42**	**2.83**	0.95	13.92	1.91	2.57
3 391	**0.44**	**7.87**	**1.18**	0.33	8.65	0.91	1.11
1 508	**0.35**	**5.93**	**0.84**	0.18	5.27	0.45	0.71
1 883	**0.68**	**11.09**	**1.96**	0.65	12.09	1.91	2.01
6 427	**5.17**	**26.84**	**8.79**	3.51	30.48	5.92	8.51
1 479	**3.86**	**27.45**	**5.92**	2.34	24.74	3.58	5.57
3 465	**6.03**	**26.45**	**10.51**	3.72	30.49	6.87	10.06
3 081	**5.90**	**28.10**	**10.12**	3.72	30.49	6.87	9.59
384	**7.54**	**20.99**	**13.59**	–	–	–	16.49
1 483	**6.00**	**27.34**	**10.20**	5.12	36.57	7.89	10.21
–	**–**	**–**	**–**	–	–	–	–
8 885	**0.84**	**14.55**	**1.89**	0.47	9.17	1.02	1.88
2 733	**1.62**	**20.64**	**2.98**	0.74	10.08	1.38	2.71
2 685	**1.55**	**20.81**	**2.93**	0.74	10.08	1.38	2.67
48	**6.09**	**7.06**	**6.15**	–	–	–	13.91
225	**0.42**	**5.17**	**0.68**	0.39	4.31	0.59	0.86
4 957	**0.74**	**11.96**	**1.69**	0.43	10.09	1.04	1.92
3 180	**0.71**	**8.19**	**1.31**	0.42	6.06	0.73	1.27
1 777	**1.85**	**57.73**	**15.63**	1.06	31.51	11.07	21.80
970	**0.42**	**20.95**	**2.12**	0.38	6.45	0.89	1.44
–	**–**	**–**	**–**	–	–	–	–
1 988	**1.96**	**18.22**	**3.75**	1.22	19.66	2.55	3.20
1 679	**2.08**	**20.09**	**4.03**	1.18	19.98	2.60	3.25
309	**1.46**	**10.80**	**2.54**	1.44	17.36	2.26	2.94
717	**1.57**	**201.27**	**1.99**	1.39	109.17	1.70	1.95
20	**0.13**	**–**	**0.13**	0.10	–	0.10	0.08
–	**–**	**–**	**–**	1.73	33.77	2.48	–
697	**4.51**	**201.27**	**5.78**	4.05	244.19	4.90	6.75
21 408	**1.20**	**14.44**	**2.39**	0.76	12.30	1.52	2.24
3 299	**0.59**	**4.75**	**1.08**	0.32	2.51	0.50	1.10
334	**0.30**	**1.27**	**0.40**	0.07	0.40	0.10	0.22
1 035	**0.72**	**4.00**	**1.23**	0.39	2.52	0.59	1.48
1 930	**1.06**	**12.25**	**2.29**	0.74	10.04	1.23	2.57
1 063	**1.22**	**13.00**	**2.23**	0.89	16.21	1.10	2.66
839	**0.60**	**11.30**	**2.38**	0.60	9.24	1.26	2.42
28	**5.88**	**42.86**	**7.34**	4.37	40.00	5.69	9.40
24 707	**1.06**	**11.68**	**2.09**	0.66	9.76	1.30	1.97

Credit continued

NOTE 3: ANALYSIS OF STAGE 3/NPLS

SEGMENTAL ANALYSIS OF STAGE 3/NPLS

	Stage 3/NPLs				
	As at 31 December				As at 30 June
R million	**2020**	2019	% change	**% composition 2020**	2020
SA retail	**37 320**	27 299	37	**60**	35 222
Retail – secured	**23 104**	16 373	41	**38**	21 916
Residential mortgages	**12 183**	9 086	34	**20**	11 662
WesBank VAF	**10 921**	7 287	50	**18**	10 254
Retail – unsecured	**14 216**	10 926	30	**22**	13 306
FNB card	**3 882**	2 659	46	**6**	3 675
Personal loans	**7 902**	6 208	27	**12**	7 424
– FNB and DirectAxis*	**7 649**	6 208	23	**12**	7 424
– COVID-19 relief	**253**	–	–	**–**	–
Retail other	**2 432**	2 059	18	**4**	2 207
SA corporate and commercial	**11 478**	10 215	12	**19**	11 039
FNB commercial	**6 594**	5 787	14	**11**	7 030
– FNB commercial	**6 592**	5 787	14	**11**	7 030
– SME government-guaranteed loan scheme	**2**	–	–	**–**	–
WesBank corporate	**1 104**	537	>100	**2**	874
RMB investment banking**	**3 044**	2 970	2	**5**	2 282
– Lending	**1 770**	2 886	(39)	**3**	2 249
– Loans to private equity investee companies	**1 274**	84	>100	**2**	33
RMB corporate banking**	**736**	921	(20)	**1**	853
HQLA corporate advances#	**–**	–	–	**–**	–
Rest of Africa	**4 029**	3 649	10	**7**	4 197
FNB	**4 029**	3 648	10	**7**	4 197
RMB (corporate and investment banking)	**–**	1	(100)	**–**	–
FCC (including Group Treasury)	**103**	139	(26)	**–**	143
Securitisation notes	**–**	–	–	**–**	–
Discovery card	**–**	139	(100)	**–**	–
Other	**103**	–	–	**–**	143
Total stage 3/NPLs excluding UK operations	**52 930**	41 302	28	**86**	50 601
UK operations	**8 355**	3 733	>100	**14**	6 680
Aldermore retail	**4 149**	1 584	>100	**7**	3 238
Aldermore commercial	**2 032**	999	>100	**3**	1 562
Total MotoNovo	**2 174**	1 150	89	**4**	1 880
– MotoNovo VAF (front book)	**707**	94	>100	**1**	296
– MotoNovo VAF (back book)	**1 460**	1 052	39	**3**	1 574
– MotoNovo loans (back book)	**7**	4	75	**–**	10
Total stage 3/NPLs including UK operations	**61 285**	45 035	36	**100**	57 281
Of which:					
Accrual book	**61 143**	44 684	37	**100**	57 093
Fair value book	**142**	351	(60)	**–**	188

* *Includes DirectAxis loans of R3 302 million (December 2019: R2 085 million; June 2020: R3 135 million).*

** *Includes activities in India and represents the in-country balance sheet.*

\# *Managed by the Group Treasurer.*

Stage 3/NPLs as % of advances		
As at 31 December		As at 30 June
2020	2019	2020
9.01	6.50	8.44
7.08	4.95	6.67
5.43	4.06	5.20
10.73	6.83	9.86
16.14	12.26	14.98
12.71	8.83	12.16
19.19	15.22	17.73
20.58	15.22	18.77
6.30	–	–
14.87	11.30	13.19
2.44	2.18	2.28
6.22	5.39	6.51
6.31	5.39	6.54
0.13	–	–
4.14	1.80	3.22
1.14	1.18	0.87
0.69	1.19	0.89
15.64	1.10	0.40
1.39	1.54	1.25
–	–	–
6.36	5.60	6.32
7.74	6.65	7.51
–	0.01	–
0.28	0.33	0.39
–	–	–
–	4.09	–
0.83	–	1.37
5.37	4.15	5.04
2.89	1.41	2.18
2.80	1.19	2.05
3.15	1.54	2.18
2.86	1.72	2.45
1.35	0.39	0.74
6.19	2.50	4.34
3.80	0.98	3.25
4.80	3.58	4.37
5.15	3.76	4.60
0.16	0.50	0.27

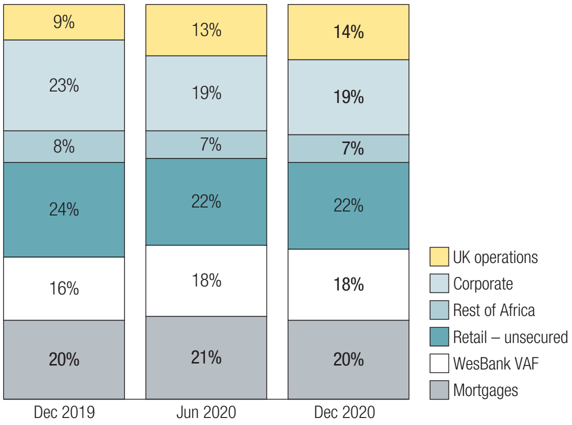
Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLS

	Stage 3/NPLs				
	As at 31 December		% change	% composition 2020	As at 30 June
R million	**2020**	2019			2020
Sector analysis					
Agriculture	**2 500**	2 772	(10)	**4**	2 909
Financial institutions*	**387**	428	(10)	**1**	306
Building and property development	**2 458**	1 889	30	**4**	2 418
Government, Land Bank and public authorities	**518**	1 129	(54)	**1**	1 192
Individuals	**42 543**	30 589	39	**69**	40 001
Manufacturing and commerce	**5 255**	4 133	27	**9**	3 977
Mining	**128**	94	36	**–**	137
Transport and communication	**1 419**	853	66	**2**	1 216
Other services	**6 077**	3 148	93	**10**	5 125
Total stage 3/NPLs including UK operations	**61 285**	45 035	36	**100**	57 281
Geographic analysis					
South Africa	**48 718**	37 323	31	**79**	46 155
Rest of Africa	**4 133**	3 913	6	**7**	4 356
UK	**8 354**	3 733	>100	**14**	6 680
Other Europe	**1**	–	–	**–**	1
Asia	**79**	66	20	**–**	89
Total stage 3/NPLs including UK operations	**61 285**	45 035	36	**100**	57 281

** Investment holding companies are included in the financial institutions sector.*

NPL DISTRIBUTION



Stage 3/NPLs as % of advances		
As at 31 December		As at 30 June
2020	2019	2020
5.68	6.20	6.38
0.26	0.26	0.19
3.40	2.75	3.16
2.52	5.27	5.21
6.69	4.85	6.10
3.96	3.05	2.80
0.83	0.61	0.56
4.86	2.81	3.76
4.54	2.49	3.72
4.80	3.58	4.37
5.89	4.33	5.41
4.06	3.71	3.85
2.62	1.38	2.11
0.01	–	0.01
1.06	1.04	1.12
4.80	3.58	4.37

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December 2020			As at 31 December 2019		
R million	**Stage 3/ NPLs**	**Security held and expected recoveries**	**Specific impairment**	Stage 3/ NPLs	Security held and expected recoveries	Specific impairment
SA retail	**37 320**	**20 076**	**17 244**	27 299	14 517	12 782
Retail – secured	**23 104**	**16 177**	**6 927**	16 373	12 205	4 168
Residential mortgages	**12 183**	**9 586**	**2 597**	9 086	7 322	1 764
WesBank VAF	**10 921**	**6 591**	**4 330**	7 287	4 883	2 404
Retail – unsecured	**14 216**	**3 899**	**10 317**	10 926	2 312	8 614
FNB card	**3 882**	**993**	**2 889**	2 659	678	1 981
Personal loans	**7 902**	**2 274**	**5 628**	6 208	1 203	5 005
– FNB and DirectAxis	**7 649**	**2 231**	**5 418**	6 208	1 203	5 005
– COVID-19 relief	**253**	**43**	**210**	–	–	–
Retail other	**2 432**	**632**	**1 800**	2 059	431	1 628
SA corporate and commercial	**11 478**	**5 936**	**5 542**	10 215	6 367	3 848
FNB commercial	**6 594**	**3 056**	**3 538**	5 787	3 099	2 688
– FNB commercial	**6 592**	**3 054**	**3 538**	5 787	3 099	2 688
– SME government-guaranteed loan scheme	**2**	**2**	**–**	–	–	–
WesBank corporate	**1 104**	**710**	**394**	537	348	189
RMB investment banking*	**3 044**	**1 685**	**1 359**	2 970	2 202	768
– Lending	**1 770**	**1 437**	**333**	2 886	2 192	694
– Loans to private equity investee companies	**1 274**	**248**	**1 026**	84	10	74
RMB corporate banking*	**736**	**485**	**251**	921	718	203
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
Rest of Africa	**4 029**	**1 473**	**2 556**	3 649	1 638	2 011
FNB	**4 029**	**1 473**	**2 556**	3 648	1 638	2 010
RMB (corporate and investment banking)	**–**	**–**	**–**	1	–	1
FCC (including Group Treasury)	**103**	**(51)**	**154**	139	(47)	186
Securitisation notes	**–**	**–**	**–**	–	–	–
Discovery card	**–**	**–**	**–**	139	14	125
Other	**103**	**(51)**	**154**	–	(61)	61
Total excluding UK operations	**52 930**	**27 434**	**25 496**	41 302	22 475	18 827
UK operations	**8 355**	**5 831**	**2 524**	3 733	2 755	978
Aldermore retail	**4 149**	**3 630**	**519**	1 584	1 382	202
Aldermore commercial	**2 032**	**1 340**	**692**	999	687	312
Total MotoNovo	**2 174**	**861**	**1 313**	1 150	686	464
– MotoNovo VAF (front book)	**707**	**311**	**396**	94	52	42
– MotoNovo VAF (back book)	**1 460**	**550**	**910**	1 052	634	418
– MotoNovo loans (back book)	**7**	**–**	**7**	4	–	4
Total including UK operations	**61 285**	**33 265**	**28 020**	45 035	25 230	19 805

* *Includes activities in India and represents the in-country balance sheets.*

** *Managed by the Group Treasurer.*

As at 30 June 2020		
Stage 3/ NPLs	Security held and expected recoveries	Specific impairment
35 222	19 226	15 996
21 916	15 530	6 386
11 662	9 254	2 408
10 254	6 276	3 978
13 306	3 696	9 610
3 675	953	2 722
7 424	2 192	5 232
7 424	2 192	5 232
–	–	–
2 207	551	1 656
11 039	6 885	4 154
7 030	3 735	3 295
7 030	3 735	3 295
–	–	–
874	593	281
2 282	1 937	345
2 249	1 927	322
33	10	23
853	620	233
–	–	–
4 197	1 552	2 645
4 197	1 552	2 645
–	–	–
143	(39)	182
–	–	–
–	–	–
143	(39)	182
50 601	27 624	22 977
6 680	4 984	1 696
3 238	2 855	383
1 562	1 055	507
1 880	1 074	806
296	162	134
1 574	912	662
10	–	10
57 281	32 608	24 673

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET STAGE 3/SPECIFIC IMPAIRMENTS AND COVERAGE RATIOS

	Total stage 3/specific impairments			
	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Specific impairments				
SA retail	**17 244**	12 782	35	15 996
Retail – secured	**6 927**	4 168	66	6 386
Residential mortgages	**2 597**	1 764	47	2 408
WesBank VAF	**4 330**	2 404	80	3 978
Retail – unsecured	**10 317**	8 614	20	9 610
FNB card	**2 889**	1 981	46	2 722
Personal loans	**5 628**	5 005	12	5 232
– FNB and DirectAxis*	**5 418**	5 005	8	5 232
– COVID-19 relief	**210**	–	–	–
Retail other	**1 800**	1 628	11	1 656
SA corporate and commercial	**5 542**	3 848	44	4 154
FNB commercial	**3 538**	2 688	32	3 295
– FNB commercial	**3 538**	2 688	32	3 295
– SME government-guaranteed loan scheme	**–**	–	–	–
WesBank corporate	**394**	189	>100	281
RMB investment banking**	**1 359**	768	77	345
– Lending	**333**	694	(52)	322
– Loans to private equity investee companies	**1 026**	74	>100	23
RMB corporate banking**	**251**	203	24	233
HQLA corporate advances#	**–**	–	–	–
Rest of Africa	**2 556**	2 011	27	2 645
FNB	**2 556**	2 010	27	2 645
RMB (corporate and investment banking)	**–**	1	(100)	–
FCC (including Group Treasury)	**154**	186	(17)	182
Securitisation notes	**–**	–	–	–
Discovery card	**–**	125	(100)	–
Other	**154**	61	>100	182
Total stage 3/specific impairments/implied loss given default excluding UK operations	**25 496**	18 827	35	22 977
UK operations	**2 524**	978	>100	1 696
Aldermore retail	**519**	202	>100	383
Aldermore commercial	**692**	312	>100	507
Total MotoNovo	**1 313**	464	>100	806
– MotoNovo VAF (front book)	**396**	42	>100	134
– MotoNovo VAF (back book)	**910**	418	>100	662
– MotoNovo loans (back book)	**7**	4	75	10
Total stage 3/specific impairments/implied loss given default including UK operations	**28 020**	19 805	41	24 673

* *Includes DirectAxis loans of R2 334 million (December 2019: R1 568 million; June 2020: R2 271 million).*

** *Includes activities in India and represents the in-country balance sheet.*

Managed by the Group Treasurer.

Total stage 3/specific impairments		
Coverage ratios (% of stage 3/NPLs)		
As at 31 December		As at 30 June
2020	2019	2020
46.2	46.8	45.4
30.0	25.5	29.1
21.3	19.4	20.6
39.6	33.0	38.8
72.6	78.8	72.2
74.4	74.5	74.1
71.2	80.6	70.5
70.8	80.6	70.5
83.0	–	–
74.0	79.1	75.0
48.3	37.7	37.6
53.7	46.4	46.9
53.7	46.4	46.9
–	–	–
35.7	35.2	32.2
44.6	25.9	15.1
18.8	24.0	14.3
80.5	88.1	69.7
34.1	22.0	27.3
–	–	–
63.4	55.1	63.0
63.4	55.1	63.0
–	100.0	–
149.5	133.8	127.3
–	–	–
–	89.9	–
149.5	–	127.3
48.2	45.6	45.4
30.2	26.2	25.4
12.5	12.8	11.8
34.1	31.2	32.5
60.4	40.3	42.9
56.0	44.7	45.3
62.3	39.7	42.1
100.0	100.0	100.0
45.7	44.0	43.1

Credit continued

NOTE 5: ANALYSIS OF BALANCE SHEET TOTAL IMPAIRMENTS AND COVERAGE RATIOS

	Balance sheet impairments					
	As at 31 December		% change	As at 31 December		
				2020		
R million	**2020**	2019		**Stage 1**	**Stage 2**	**Stage 3**
Total impairments						
SA retail	**27 922**	20 271	38	**5 007**	**5 671**	**17 244**
Retail – secured	**10 490**	7 025	49	**1 211**	**2 352**	**6 927**
Residential mortgages	**4 374**	2 725	61	**669**	**1 108**	**2 597**
WesBank VAF	**6 116**	4 300	42	**542**	**1 244**	**4 330**
Retail – unsecured	**16 812**	13 246	27	**3 176**	**3 319**	**10 317**
FNB card	**4 467**	2 964	51	**939**	**639**	**2 889**
Personal loans	**9 125**	7 380	24	**1 566**	**1 931**	**5 628**
– FNB and DirectAxis*	**8 404**	7 380	14	**1 410**	**1 576**	**5 418**
– COVID-19 relief	**721**	–	–	**156**	**355**	**210**
Retail other	**3 220**	2 902	11	**671**	**749**	**1 800**
FNB centre	**620**	–	–	**620**	**–**	**–**
SA corporate and commercial	**14 227**	8 531	67	**3 580**	**5 105**	**5 542**
FNB commercial	**6 502**	4 091	59	**1 500**	**1 464**	**3 538**
– FNB commercial	**6 408**	4 091	57	**1 412**	**1 458**	**3 538**
– SME government-guaranteed loan scheme	**94**	–	–	**88**	**6**	**–**
WesBank corporate	**568**	363	56	**102**	**72**	**394**
RMB investment banking**	**5 801**	3 353	73	**1 777**	**2 665**	**1 359**
– Lending	**3 701**	2 442	52	**1 681**	**1 687**	**333**
– Loans to private equity investee companies	**2 100**	911	>100	**96**	**978**	**1 026**
RMB corporate banking**	**1 356**	724	87	**201**	**904**	**251**
HQLA corporate advances#	**–**	–	–	**–**	**–**	**–**
Rest of Africa	**4 780**	3 576	34	**1 035**	**1 189**	**2 556**
FNB	**4 492**	3 342	34	**889**	**1 047**	**2 556**
RMB (corporate and investment banking)	**288**	234	23	**146**	**142**	**–**
FCC (including Group Treasury)	**897**	890	1	**584**	**159**	**154**
Securitisation notes	**32**	26	23	**32**	**–**	**–**
Discovery card	**–**	206	(100)	**–**	**–**	**–**
Other	**865**	658	31	**552**	**159**	**154**
Total impairments excluding UK operations	**47 826**	33 268	44	**10 206**	**12 124**	**25 496**
UK operations	**5 564**	2 294	>100	**1 457**	**1 583**	**2 524**
Aldermore retail	**1 097**	336	>100	**381**	**197**	**519**
Aldermore commercial	**1 462**	691	>100	**379**	**391**	**692**
Total MotoNovo	**3 005**	1 267	>100	**697**	**995**	**1 313**
– MotoNovo VAF (front book)	**1 548**	307	>100	**576**	**576**	**396**
– MotoNovo VAF (back book)	**1 437**	933	54	**111**	**416**	**910**
– MotoNovo loans (back book)	**20**	27	(26)	**10**	**3**	**7**
Total impairments including UK operations	**53 390**	35 562	50	**11 663**	**13 707**	**28 020**

* *Includes DirectAxis loans of R3 688 million (December 2019: R2 741 million; June 2020: R3 689 million).*

** *Includes activities in India and represents the in-country balance sheet.*

\# *Managed by the Group Treasurer.*

Balance sheet impairments						
As at 31 December				Coverage ratios (% of stage 3/NPLs)		
2019			As at 30 June	As at 31 December		As at 30 June
Stage 1	Stage 2	Stage 3	2020	**2020**	2019	2020
3 447	4 042	12 782	25 814	**74.8**	74.3	73.3
951	1 906	4 168	9 777	**45.4**	42.9	44.6
376	585	1 764	3 916	**35.9**	30.0	33.6
575	1 321	2 404	5 861	**56.0**	59.0	57.2
2 496	2 136	8 614	16 037	**118.3**	121.2	120.5
607	376	1 981	4 201	**115.1**	111.5	114.3
1 135	1 240	5 005	8 697	**115.5**	118.9	117.1
1 135	1 240	5 005	8 313	**109.9**	118.9	112.0
–	–	–	384	**285.0**	–	–
754	520	1 628	3 139	**132.4**	140.9	142.2
–	–	–	–	**–**	–	–
2 020	2 663	3 848	13 039	**124.0**	83.5	118.1
704	699	2 688	6 028	**98.6**	70.7	85.7
704	699	2 688	5 980	**97.2**	70.7	85.1
–	–	–	48	**>1 000**	–	–
108	66	189	506	**51.4**	67.6	57.9
1 001	1 584	768	5 302	**190.6**	112.9	232.3
947	801	694	3 502	**209.1**	84.6	155.7
54	783	74	1 800	**164.8**	>1 000	>1 000
207	314	203	1 203	**184.2**	78.6	141.0
–	–	–	–	**–**	–	–
698	867	2 011	4 633	**118.6**	98.0	110.4
557	775	2 010	4 324	**111.5**	91.6	103.0
141	92	1	309	**–**	>1 000	–
573	131	186	899	**870.9**	640.3	628.7
26	–	–	20	**–**	–	–
55	26	125	–	**–**	148.2	–
492	105	61	879	**839.8**	–	614.7
6 738	7 703	18 827	44 385	**90.4**	80.5	87.7
766	550	978	4 995	**66.6**	61.5	74.8
84	50	202	717	**26.4**	21.2	22.1
224	155	312	1 542	**71.9**	69.2	98.7
458	345	464	2 736	**138.2**	110.2	145.5
212	53	42	1 197	**219.0**	326.6	404.4
229	286	418	1 501	**98.4**	88.7	95.4
17	6	4	38	**285.7**	675.0	380.0
7 504	8 253	19 805	49 380	**87.1**	79.0	86.2

Credit continued

NOTE 6: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

	Total impairment charge			
	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
SA retail	**5 610**	4 047	39	12 747
Retail – secured	**1 581**	1 035	53	4 185
Residential mortgages	**529**	243	>100	1 411
WesBank VAF	**1 052**	792	33	2 774
Retail – unsecured	**3 409**	3 012	13	8 562
FNB card	**781**	618	26	1 997
Personal loans	**1 944**	1 661	17	4 899
– FNB and DirectAxis*	**1 609**	1 661	(3)	4 515
– COVID-19 relief	**335**	–	–	384
Retail other	**684**	733	(7)	1 666
FNB centre	**620**	–	–	–
SA corporate and commercial	**1 795**	777	>100	6 491
FNB commercial	**884**	589	50	2 949
– FNB commercial	**837**	589	42	2 901
– SME government-guaranteed loan scheme	**47**	–	–	48
WesBank corporate	**91**	67	36	249
RMB investment banking**	**656**	92	>100	2 670
– Lending	**356**	53	>100	1 691
– Loans to private equity investee companies	**300**	39	>100	979
RMB corporate banking**	**164**	29	>100	623
HQLA corporate advances#	**–**	–	–	–
Rest of Africa	**751**	419	79	1 630
FNB	**735**	422	74	1 569
RMB (corporate and investment banking)	**16**	(3)	(>100)	61
FCC (including Group Treasury)	**21**	7	>100	114
Securitisation notes	**12**	4	>100	(2)
Discovery card	**–**	42	(100)	–
Other	**9**	(39)	(>100)	116
Total impairment charge excluding UK operations	**8 177**	5 250	56	20 982
UK operations	**1 237**	684	81	3 401
Aldermore retail	**391**	(1)	(>100)	257
Aldermore commercial	**159**	211	(25)	1 229
Total MotoNovo	**687**	474	45	1 915
– MotoNovo VAF (front book)	**495**	270	83	1 091
– MotoNovo VAF (back book)	**203**	200	2	808
– MotoNovo loans (back book)	**(11)**	4	(>100)	16
Total impairment charge including UK operations	**9 414**	5 934	59	24 383
Of which:				
Portfolio impairments charge	**3 868**	1 613	>100	10 613
Specific impairments charge	**5 546**	4 321	28	13 770

* *Includes DirectAxis loans of R654 million (December 2019: R698 million; June 2020: R2 068 million).*

** *Includes activities in India and represents the in-country balance sheet.*

\# *Managed by the Group Treasurer.*

As a % of average advances			
Six months ended 31 December		Year ended 30 June	Six months ended 30 June
2020	2019	2020	2020
2.70	1.95	3.09	4.16
0.97	0.63	1.28	1.91
0.47	0.22	0.64	1.04
2.04	1.49	2.64	3.76
7.71	6.90	9.83	12.48
5.14	4.25	6.85	9.15
9.36	8.29	12.06	15.67
8.39	8.29	11.44	14.21
21.13	–	32.99	65.98
8.27	8.12	9.62	10.68
–	–	–	–
0.75	0.33	1.35	2.40
1.65	1.11	2.77	4.38
1.58	1.11	2.73	4.30
10.02	–	27.83	55.65
0.68	0.46	0.90	1.28
0.50	0.07	1.01	2.01
0.28	0.04	0.66	1.32
7.35	1.07	12.95	23.75
0.54	0.10	0.99	1.85
–	–	–	–
2.32	1.29	2.49	3.68
2.72	1.54	2.83	4.15
0.29	(0.06)	0.61	1.23
0.11	0.03	0.28	0.55
0.09	0.03	(0.01)	(0.05)
–	2.17	–	(4.94)
0.16	(0.67)	1.08	2.74
1.64	1.06	2.10	3.15
0.83	0.53	1.23	1.90
0.51	–	0.18	0.35
0.47	0.66	1.83	2.98
1.80	1.48	2.76	4.02
2.14	3.50	4.65	5.09
1.36	0.83	1.78	3.11
(8.94)	1.62	3.61	6.70
1.46	0.95	1.91	2.87
0.60	0.26	0.83	1.40
0.86	0.69	1.08	1.47

Credit continued

RECONCILIATIONS OF IMPAIRMENTS

The following table provides an analysis of balance sheet amortised cost impairments and fair value credit adjustments.

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book			Fair value book			Total book		
	As at 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2020**	2019	2020	**2020**	2019	2020	**2020**	2019	2020
Non-performing book	**27 914**	19 610	24 543	**106**	195	130	**28 020**	19 805	24 673
Performing book	**24 570**	15 406	23 904	**800**	351	803	**25 370**	15 757	24 707
Total balance sheet impairments	**52 484**	35 016	48 447	**906**	546	933	**53 390**	35 562	49 380

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Opening balance	**49 380**	34 162	45	34 162
Transfers to non-current assets held for sale	**(5)**	–	–	(265)
Disposals	**(3)**	(92)	(97)	(100)
Exchange rate difference	**(1 057)**	(39)	>100	1 070
Bad debts written off	**(6 864)**	(6 411)	7	(14 362)
Net new impairments created	**10 277**	6 817	51	25 750
Net interest recognised on stage 3 advances	**1 662**	1 125	48	3 125
Closing balance	**53 390**	35 562	50	49 380

The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

INCOME STATEMENT IMPAIRMENTS

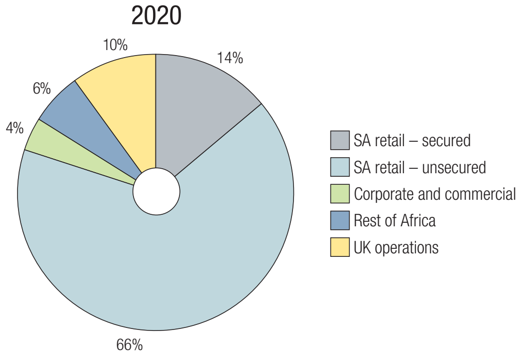
	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Specific impairment charge	**6 440**	5 262	22	15 447
– Specific impairment charge – amortised cost	**6 464**	5 262	23	15 317
– Credit fair value adjustments – non-performing book	**(24)**	–	–	130
Portfolio impairment charge	**3 837**	1 555	>100	10 303
– Portfolio impairment charge – amortised cost	**3 815**	1 557	>100	9 873
– Credit fair value adjustments – performing book	**22**	(2)	(>100)	430
Total impairments before recoveries and modifications	**10 277**	6 817	51	25 750
Modification losses	**294**	494	(40)	1 007
– COVID-19 relief	**–**	–	–	–
– Debt review and other	**294**	494	(40)	1 007
Recoveries of bad debts written off	**(1 157)**	(1 377)	(16)	(2 374)
Total impairments including UK operations	**9 414**	5 934	59	24 383

Credit continued

IMPACT OF POST WRITE-OFF RECOVERIES

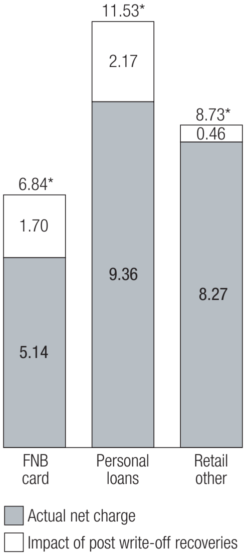
Post write-off recoveries amounted to R1 157 million (December 2019: R1 377 million; June 2020: R2 374 million), primarily emanating from the unsecured retail lending portfolios, specifically personal loans and FNB card.

POST WRITE-OFF RECOVERIES



SA RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES

%



* *Gross of recoveries (%).*

CREDIT OVERVIEW – TOTAL UK OPERATIONS

£ million	**Total UK operations**	**Aldermore retail**	**Aldermore commercial**	**Total MotoNovo**	**MotoNovo VAF (front book)**	**MotoNovo VAF (back book)**	**MotoNovo loans (back book)**
Six months ended 31 December 2020							
Total gross advances	**14 407**	**7 397**	**3 216**	**3 794**	**2 609**	**1 176**	**9**
– Stage 1	**12 329**	**6 420**	**2 627**	**3 282**	**2 353**	**920**	**9**
– Stage 2	**1 662**	**770**	**488**	**404**	**221**	**183**	**–**
– Stage 3/NPLs	**416**	**207**	**101**	**108**	**35**	**73**	**–**
Stage 3/NPLs as a % of advances*	**2.89**	**2.80**	**3.15**	**2.86**	**1.35**	**6.19**	**3.80**
Impairment charge	**58**	**19**	**7**	**32**	**23**	**10**	**(1)**
Credit loss ratio (%)*	**0.81**	**0.50**	**0.46**	**1.76**	**2.08**	**1.34**	**(8.82)**
Total impairments	**277**	**55**	**72**	**150**	**77**	**72**	**1**
– Portfolio impairments	**152**	**29**	**38**	**85**	**57**	**27**	**1**
– Stage 1	**73**	**19**	**19**	**35**	**28**	**6**	**1**
– Stage 2	**79**	**10**	**19**	**50**	**29**	**21**	**–**
– Stage 3 impairments	**125**	**26**	**34**	**65**	**20**	**45**	**–**
Specific coverage ratio (%)*	**30.2**	**12.5**	**34.1**	**60.4**	**56.0**	**62.3**	**100.0**
Performing book coverage ratio (%)*	**1.08**	**0.40**	**1.23**	**2.29**	**2.23**	**2.38**	**7.34**
– Stage 1 (%)*	**0.59**	**0.30**	**0.72**	**1.06**	**1.22**	**0.60**	**5.88**
– Stage 2 (%)*	**4.75**	**1.27**	**4.00**	**12.25**	**13.00**	**11.30**	**42.86**
Total impairment coverage ratio (%)*	**66.6**	**26.4**	**71.9**	**138.2**	**219.0**	**98.4**	**285.7**
Six months ended 31 December 2019							
Total gross advances	14 394	7 246	3 528	3 620	1 317	2 281	22
– Stage 1	13 000	6 489	3 140	3 371	1 294	2 056	21
– Stage 2	1 192	671	334	187	18	168	1
– Stage 3/NPLs	202	86	54	62	5	57	–
Stage 3/NPLs as a % of advances*	1.41	1.19	1.54	1.72	0.39	2.50	0.98
Impairment charge	37	–	11	26	15	11	–
Credit loss ratio (%)*	0.53	–	0.65	1.45	3.47	0.81	1.59
Total impairments	124	18	37	69	17	51	1
– Portfolio impairments	72	8	20	44	15	28	1
– Stage 1	43	6	12	25	12	12	1
– Stage 2	29	2	8	19	3	16	–
– Stage 3 impairments	52	10	17	25	2	23	–
Specific coverage ratio (%)*	26.2	12.8	31.2	40.3	44.7	39.7	100.0
Performing book coverage ratio (%)*	0.50	0.10	0.59	1.23	1.10	1.26	5.69
– Stage 1 (%)*	0.32	0.07	0.39	0.74	0.89	0.60	4.37
– Stage 2 (%)*	2.51	0.40	2.52	10.04	16.21	9.24	40.00
Total impairment coverage ratio (%)*	61.5	21.2	69.2	110.2	326.6	88.7	675.0

* *Ratios are calculated using actual number designated in pounds. Amounts above are rounded to the closest million pounds.*

Credit continued

£ million	Total UK operations	Aldermore retail	Aldermore commercial	Total MotoNovo	MotoNovo VAF (front book)	MotoNovo VAF (back book)	MotoNovo loans (back book)
Year ended 30 June 2020							
Total gross advances	14 293	7 360	3 347	3 586	1 879	1 693	14
– Stage 1	12 376	6 535	2 715	3 126	1 743	1 370	13
– Stage 2	1 607	674	560	373	122	250	1
– Stage 3/NPLs	310	151	72	87	14	73	–
Stage 3/NPLs as a % of advances*	2.18	2.05	2.18	2.45	0.74	4.34	3.25
Impairment charge	173	13	62	98	56	41	1
Credit loss ratio (%)*	1.24	0.19	1.84	2.79	4.96	1.75	3.52
Total impairments	233	33	72	128	56	70	2
– Portfolio impairments	154	15	48	91	50	39	2
– Stage 1	80	7	27	46	30	14	2
– Stage 2	74	8	21	45	20	25	–
– Stage 3 impairments	79	18	24	37	6	31	–
Specific coverage ratio (%)*	25.4	11.8	32.5	42.9	45.3	42.1	100.0
Performing book coverage ratio (%)*	1.10	0.22	1.48	2.57	2.66	2.42	9.40
– Stage 1 (%)*	0.63	0.12	0.97	1.41	1.68	1.01	8.36
– Stage 2 (%)*	4.70	1.13	3.93	12.35	16.71	10.16	36.36
Total impairment coverage ratio (%)*	74.8	22.1	98.7	145.5	404.4	95.4	380.0

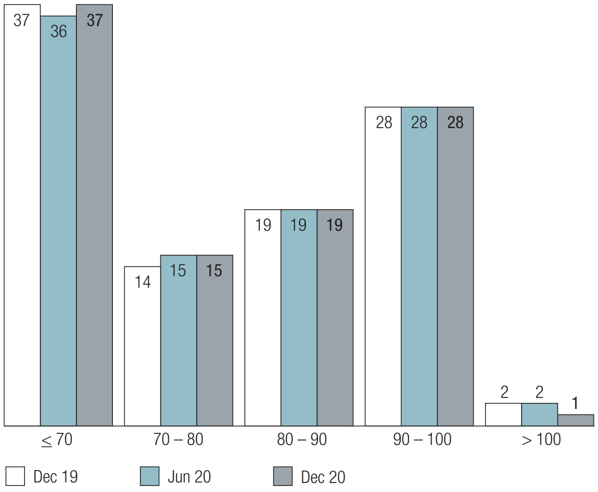
* *Ratios are calculated using actual number designated in pounds. Amounts above are rounded to the closest million pounds.*

RISK ANALYSIS

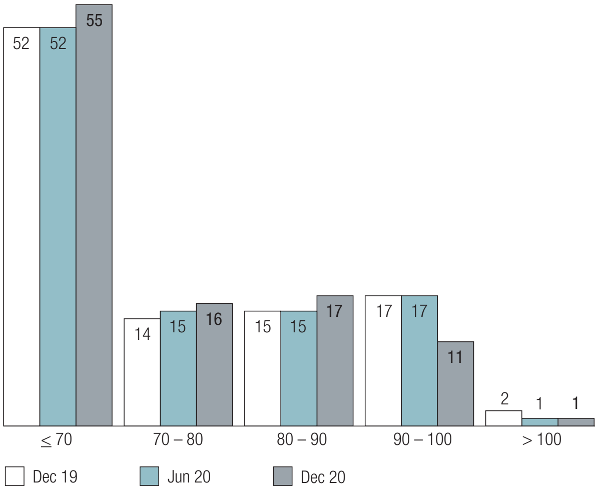
The graphs below provide loan balance-to-value ratios and age distributions of the residential mortgages portfolio across the group.

Balance-to-value (BTV) ratios for new business are an important consideration in the credit origination process. The group, however, places more emphasis on counterparty creditworthiness as opposed to relying on the underlying security only. BTVs have increased due to increased loan extension to main-banked clients, with higher BTVs offered to better-rated existing clients.

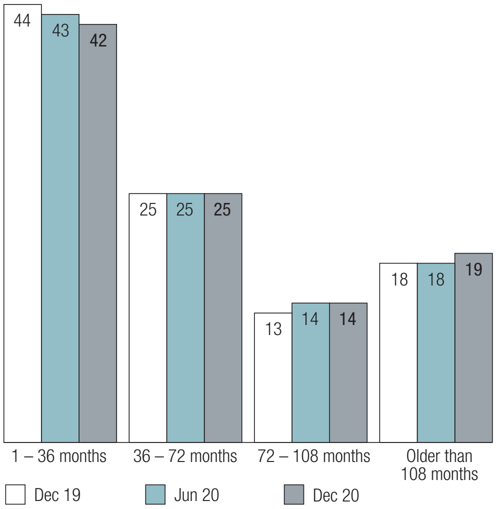
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION TOTAL
%

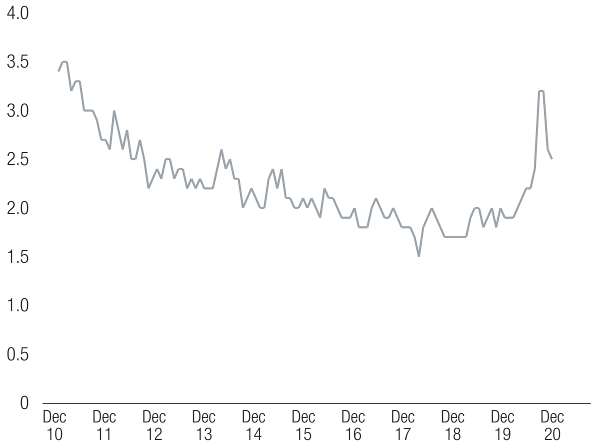


Note: The above loan balance-to-value ratios and age distributions have been restated to include performing accounts only.

Residential mortgage arrears

The following graph shows arrears in the residential mortgage portfolio. It includes accounts from one full payment and/or more in arrears, expressed as a percentage of total advances. Early arrears are starting to show recovery from previous high levels seen during early COVID-19 lockdown. This is showing signs of improvement as customers' income continues to improve.

FNB RESIDENTIAL MORTGAGES
%

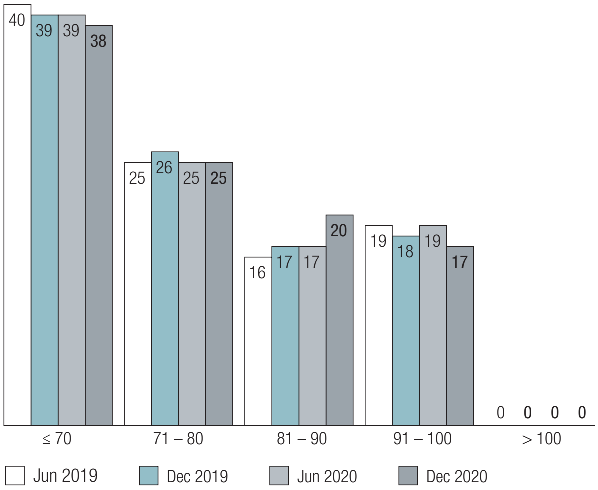


This metric will be impacted by customers utilising COVID-19 payment relief. During the payment relief period, there will not be arrears emergence for these customers. As at Jun 2020, 15.3% of the performing portfolio was under payment relief, compared to 14.6% at Dec 2020.

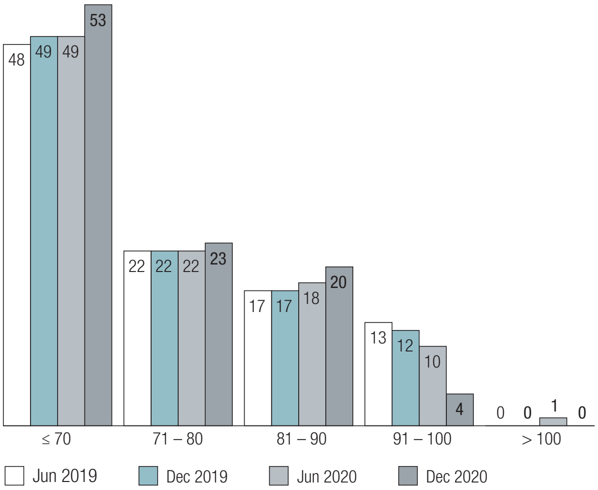
Credit continued

Aldermore residential mortgage and buy-to-let

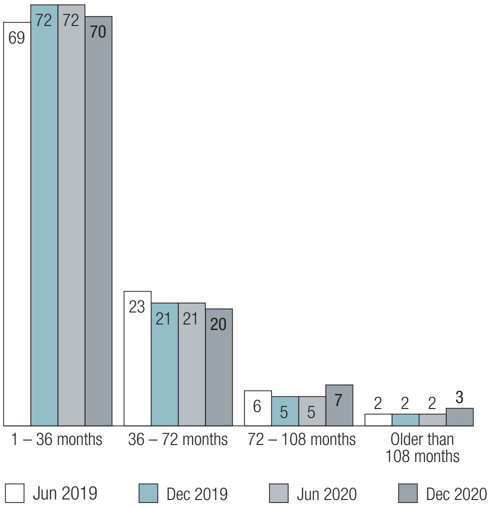
ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



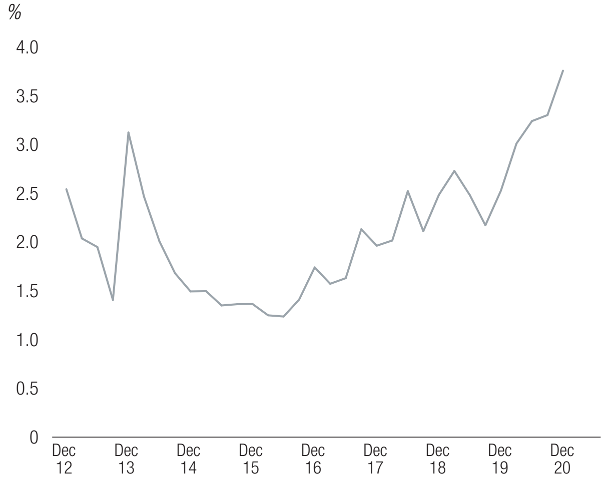
ALDERMORE RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%



Residential mortgages

Arrears levels of the residential owner-occupied portfolio have increased as a result of COVID-19. The number of customers on payment holiday reduced to 5.5% of the portfolio (£128 million) in December 2020, after peaking at 34.6% (£780 million) in May 2020. A large proportion of customers have resumed payment but there are customers requiring extended support and those are now entering arrears. Following a peak in payment holidays in May 2020, focus remains on debt management, including additional collections resources. At December 2020, levels for those in arrears for more than three months were at 275 cases, with exposures of £36.6 million, amounting to 1.75% of the portfolio.

ALDERMORE RESIDENTIAL MORTGAGE ARREARS



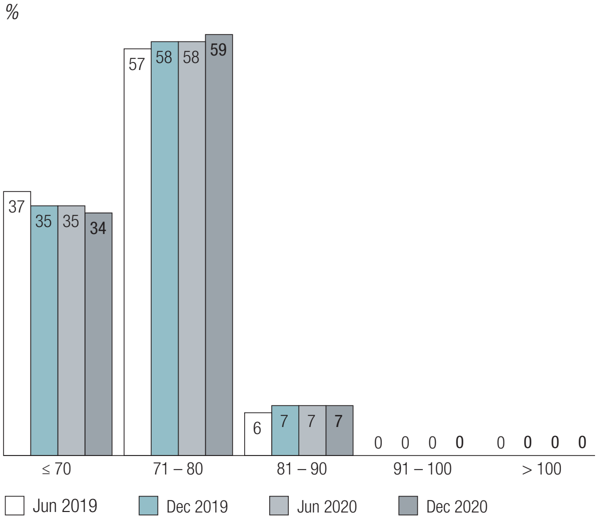
For standard residential mortgages, Aldermore typically operates in a higher Balance to Value (BTV) range than the larger High Street banks, but use experienced manual underwriting to identify low- to medium-risk lending opportunities within that range. Aldermore covers a wide range of applications within this business, including helping first-time buyers and self-employed customers.

Buy-to-let mortgages

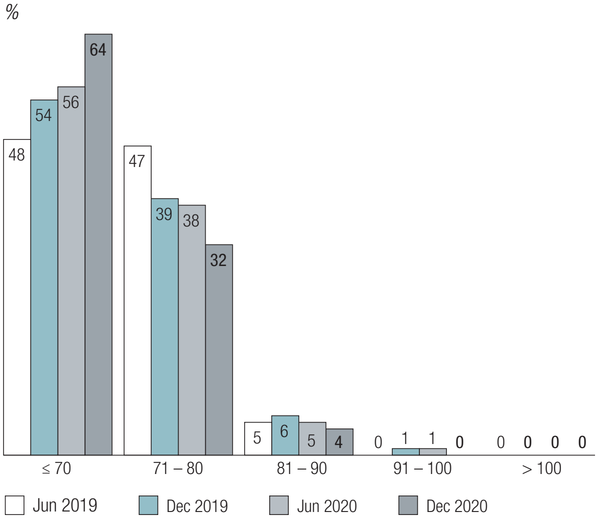
Aldermore operates in a competitive buy-to-let environment which, prior to COVID-19, was demonstrating a robust credit risk performance. Arrears levels have been low and relatively stable through 2014 to 2018. As with the residential portfolio, arrears levels have risen as a result of COVID-19. The number of customers on a payment holiday reduced to 2.6% of the portfolio (£193 million) in December 2020, after peaking at 22.7% (£1 378 million) in May 2020. A large proportion of customers have resumed payment but there are customers requiring extended support who are now entering arrears. Focus remains on debt management, including additional collection resources.

Prior to COVID-19 arrears levels for this portfolio were low. In February 2020, prior to COVID-19 impacts, levels for those in arrears for more than three months consisted of 109 cases (£21.4 million), 0.42% of the portfolio. At December 2020, levels for those in arrears for more than three months comprised 276 cases, with exposures of £54 million, representing 1.02% of the portfolio.

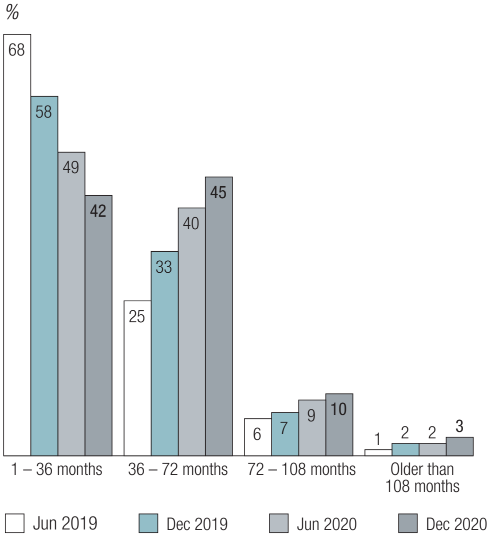
ALDERMORE BUY-TO-LET BALANCE-TO-ORIGINAL VALUE



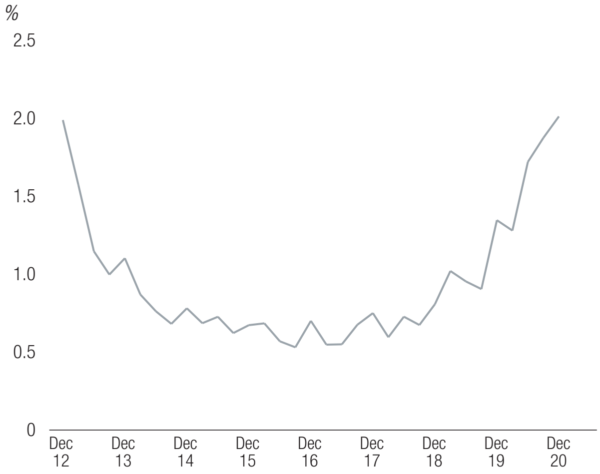
ALDERMORE BUY-TO-LET BALANCE-TO-MARKET VALUE



ALDERMORE BUY-TO-LET AGE DISTRIBUTION



ALDERMORE BUY-TO-LET ARREARS



LENDING TO ENERGY AND FOSSIL FUEL SECTORS

The table below unpacks RMB's net advances by energy sector. This current balance sheet mix mainly reflects the respective energy development needs of the core markets where FirstRand operates, particularly South Africa, Nigeria and Mozambique.

FirstRand's policy on energy financing considers the current energy mix of each country as well as the economic development and social upliftment needs of each jurisdiction. The group has placed limits on the financing of new coal fired power stations and new coal mines.

South Africa has had a historically high dependence on thermal coal for its energy needs and lending to thermal coal mines and electrical utilities has been the underlying drivers of advances in the past. Nigeria's energy mix is still dominated by oil and is a key determinant to the country's economic growth, and the majority of the upstream oil advances below reflects this. Mozambique is in the process of addressing its energy needs through an extensive offshore gas programme and RMB's participation in this programme is reflected in the growth of gas assets.

The group's origination focus for fossil fuels has shifted to a greater emphasis on natural gas, which is seen to be a more environmentally-friendly fossil fuel. RMB has also been active in the facilitation of mergers and acquisitions of oil and gas companies as the market consolidates in response to changes in the global energy landscape. Renewable energy remains a focus for the group, and RMB is actively looking for opportunities in this space, both in South Africa and other African markets.

A significant proportion of the group's fossil fuel exposures are denominated in foreign currency. Reported balances are therefore subject to exchange rate fluctuations. These fluctuations have largely driven the decline in exposures as compared to June 2020.

	December 2020		December 2019		June 2020
Sector *R'million*	**Drawn exposure**	**% of total group loans**	Drawn exposure	% of total group loans	Drawn exposure
Upstream oil and gas*	**4 735**	**0.4**	5 373	0.4	6 496
Downstream and midstream oil and gas	**7 071**	**0.5**	5 184	0.4	9 193
Thermal coal mines**	**2 066**	**0.2**	1 831	0.1	1 581
Fossil fuels excluding natural gas	**13 872**	**1.1**	12 388	1.0	17 270
Natural gas	**2 608**	**0.2**	1 972	0.2	3 093
Total fossil fuels	**16 480**	**1.3**	14 360	1.1	20 363
Solar	**10 362**	**0.8**	10 036	0.8	9 930
Wind	**4 789**	**0.4**	4 751	0.4	7 395
Hydro	**162**	**0.0**	166	0.0	166
Total renewable energy	**15 313**	**1.2**	14 953	1.2	17 491
Electric utilities	**7 431**	**0.6**	8 290	0.7	8 723

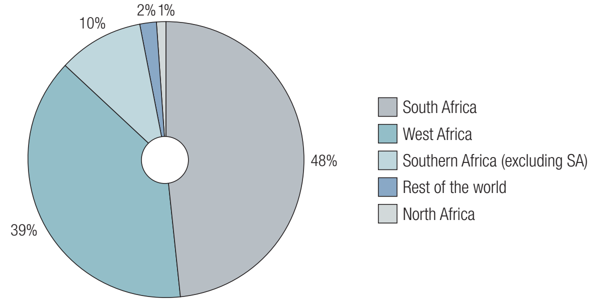
* *Total committed direct facilities to the upstream oil and gas sector (excluding natural gas) were R5.2 billion ($353 million) of which R4.7 billion ($322 million) had been drawn at 31 December 2020.*

** *The increase in exposure is driven primarily by draw downs on existing credit lines.*

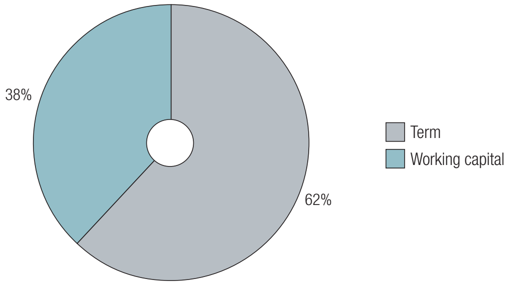
The identification and categorisation of climate exposures has been refined, including the attribution of multi-commodity entities and renewable energy facilities into their material sub-elements. Comparative periods have been updated accordingly.

The pie charts below detail the fossil fuel exposure per region as well as per type of facility granted.

FOSSIL FUEL EXPOSURE PER REGION



FOSSIL FUEL EXPOSURE PER FACILITY TYPE

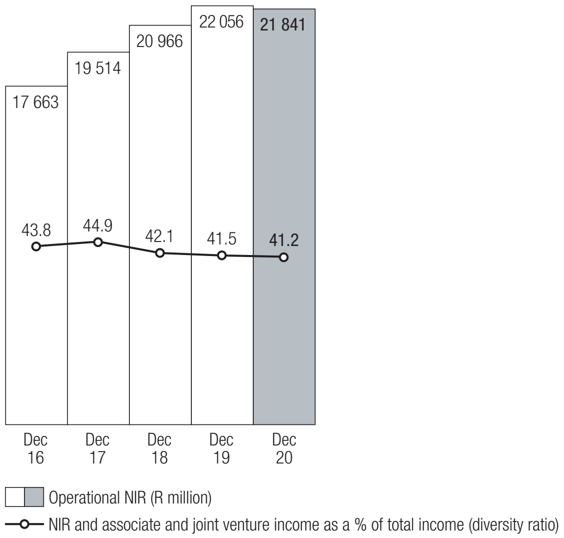


Non-interest revenue

TOTAL NON-INTEREST REVENUE – DOWN 1%

Operational non-interest revenue – down 1%*

OPERATIONAL NON-INTEREST REVENUE AND DIVERSITY RATIO
NIR CAGR 5%



* *Excluding income from associates and joint ventures.*

Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9.

ANALYSIS OF OPERATIONAL NIR*

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2020**	2019	% change	2020
Fee, commission and insurance income		**18 060**	18 274	(1)	33 999
– Fee and commission income	1	**16 031**	16 067	–	30 058
– Insurance income	2	**2 029**	2 207	(8)	3 941
Trading and other fair value income	3	**2 206**	2 166	2	4 788
Investment income	4	**50**	84	(40)	535
Other non-interest revenue	5	**1 525**	1 532	–	2 925
Operational non-interest revenue		**21 841**	22 056	(1)	42 247

* *Excluding income from associates and joint ventures.*

NOTE 1 – FEE AND COMMISSION INCOME – FLAT

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Bank fee and commission income	**16 608**	16 998	(2)	31 696
– Card commissions	**2 553**	2 866	(11)	4 943
– Cash deposit fees	**956**	967	(1)	1 720
– Commissions on bills, drafts and cheques	**1 694**	1 447	17	2 817
– Bank charges	**11 405**	11 718	(3)	22 216
– Commitment fees	**733**	783	(6)	1 466
– Other bank charges*	**10 672**	10 935	(2)	20 750
Knowledge-based fees	**542**	538	1	1 161
Management and fiduciary fees	**1 251**	1 235	1	2 472
– Investment management fees	**789**	769	3	1 537
– Management fees from associates and joint ventures	**377**	409	(8)	789
– Other management and brokerage fee income	**85**	57	49	146
Other non-bank commissions	**489**	445	10	915
Gross fee and commission income	**18 890**	19 216	(2)	36 244
Fee and commission expenditure	**(2 859)**	(3 149)	(9)	(6 186)
– Transaction-related fees	**(683)**	(729)	(6)	(1 430)
– Commission paid	**(148)**	(155)	(5)	(320)
– Customer loyalty programmes	**(904)**	(1 113)	(19)	(2 160)
– Cash sorting, handling and transportation charges	**(578)**	(534)	8	(1 074)
– Card and cheque book related	**(216)**	(215)	–	(445)
– Other	**(330)**	(403)	(18)	(757)
Total fee and commission income	**16 031**	16 067	–	30 058

* *Other bank charges include annual and monthly administrative fees, fees for customer transaction processing (e.g. SASwitch fees), cash withdrawal fees, debit order charges, internet banking fees and utilisation of other banking services.*

Non-interest revenue continued

KEY DRIVERS

- FNB NIR declined 2%, reflecting the impact of the COVID-19 pandemic and lockdown, which resulted in a decrease in transaction volumes as well as lower customer growth. Financial transaction volumes for the period were 4% lower than the prior period.
- The six months to December 2019 include fee related income of c. R230 million on the Discovery cards (the profit share payment is recognised in operating expenses). The Discovery cards were fully migrated in July 2020, as such card commissions operationally decreased 3% (versus 11% decrease in the table on the previous page).
- FNB kept headline fees flat from 1 July 2020, its annual review date. The decrease in certain fee categories affected in the prior period is in the base and the COVID-19 fee related relief granted by FNB in the prior year was not repeated. However, in the current period ATM fees were reduced and digital transactions are priced per total basket, with the increase in digital activity negatively impacting fee income.
- FNB transaction volumes decreased 4%. Electronic volumes and manual volumes declined 4% and 12% respectively, while banking app volumes were up 22%. Branch and cash centre transaction volumes decreased 42% and 24% respectively.

%	**Change in transaction volumes**
ATM/ADT	**(11)**
Internet banking	**(5)**
Banking app	**22**
Mobile (excluding prepaid)	**(12)**
Point-of-sale merchants	**(5)**
Card swipes	**(9)**

- RMB transaction volumes for EFT, cash and merchant services trended down, reflecting the macroeconomic environment. Trade activities saw a moderation in volume.
- Knowledge-based fees grew 1%, a solid performance considering the tough operating environment. Robust fee income was generated from advisory mandates, with the conclusion of notable deals during the year. Structuring revenue remained muted given slower new deal origination.
- The group's management and fiduciary fee income was impacted by moderate growth in AUM (including Ashburton Investments), subdued market performance and a switch by customers to new-generation products with lower fees.
- The decline in fee and commission expenses reflected lower customer rewards as a consequence of lower transaction volumes, updates to the reward earn rules and a reduction in travel related SLOW lounge costs, partly offset by higher cash handling fees.

NOTE 2 – INSURANCE INCOME – DOWN 8%

R million	Six months ended 31 December 2020	Six months ended 31 December 2019	% change	Year ended 30 June 2020
Commissions, brokerage and cell captives	**847**	862	(2)	1 626
Insurance risk-related income	**1 182**	1 345	(12)	2 315
– Insurance premiums received	**2 369**	2 101	13	4 411
– Reinsurance expenses	**(197)**	(137)	44	(206)
– Insurance benefits and claims paid	**(1 097)**	(660)	66	(1 404)
– Reinsurance recoveries	**82**	45	82	100
– Transfers to policyholder liabilities (gross)	**(109)**	(49)	>100	(640)
– Transfer from policyholder liabilities (reinsurance)	**134**	45	>100	54
Total insurance income	**2 029**	2 207	(8)	3 941

KEY DRIVERS

- The 8% reduction in insurance income was mainly due to COVID-19 and the ongoing economic impact of the pandemic, resulting in an increase in claims paid and reserves raised.
- Commissions, brokerage and cell captive income is derived from all other insurance businesses and arrangements in the group entered into by WesBank, MotoVantage, FNB insurance brokers and the group's subsidiaries in the rest of Africa.
- Insurance risk-related income arises mainly from insurance business written on group licences. Insurance income was significantly impacted by increased death and retrenchment claims paid as well as increased insurance reserves of R25 million since June 2020 (R506 million since December 2019) reflecting the impact of COVID-19. An additional R300 million was raised for future claims since June 2020, bringing the total future claims provision to R2 billion. However, because FirstRand does not recognise the insurance margin asset (i.e. zeroing the negative liability) the recognition of the additional liability and any future release does not impact the income statement or balance sheet.
- Despite the significant reduction in new business sales, particularly for credit life policies, in-force APE grew 9% with gross premiums increasing 10%, reflecting continued growth of the life insurance business.

Non-interest revenue continued

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – UP 2%

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Trading income	**2 261**	2 005	13	4 519
– Equities	**31**	132	(77)	97
– Commodities	**224**	122	84	431
– Fixed income	**1 213**	697	74	1 525
– Currencies	**793**	1 054	(25)	2 466
Other fair value income	**(55)**	161	(>100)	269
– RMB banking activities and other	**251**	(8)	(>100)	331
– Aldermore fair value hedge	**(100)**	(81)	23	(158)
– Group Treasury economic hedges and other	**(206)**	250	(>100)	96
Total trading and other fair value income	**2 206**	2 166	2	4 788

KEY DRIVERS

- Despite the tough operating environment, the trading activities delivered another strong performance.
- Trading income was supported by a robust from the fixed income desk, driven by the inflation business, reflecting a strong turn-around and improvement in the market conditions. The commodities desk performance improved, mainly from soft commodities trading, benefiting from favourable market conditions.
- Rest of Africa foreign exchange (FX) experienced a significant decrease in in-country Nigeria performance as the London corridor flow dried up.
- RMB banking activities fair value income includes a c. R260 million gain on the realisation of a principal investment in the renewable energy portfolio.
- Aldermore's fair value hedge portfolio incurred a loss of £4.7 million, compared to a £4.4 million loss in the prior period.
- Group Treasury economic hedges and other fair value income includes the negative mark-to-market movements on economic FX hedges, which will pull to par over the duration of the instruments. Net total return swap (TRS) fair value income was negative period-on-period due to the lack of dividend income cash flows on the TRS, which was partly offset by the increase in the FirstRand share price.

NOTE 4 – INVESTMENT INCOME – DOWN 40%

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Private equity realisations and dividends received	**5**	3	67	489
– Profit on realisation of private equity investments	**–**	–	–	486
– Dividends received	**5**	3	67	3
Other investment income	**45**	81	(44)	46
– Profit/(loss) on assets held against employee liabilities	**33**	9	>100	(192)
– Other investment income	**12**	72	(83)	238
Total investment income	**50**	84	(40)	535

KEY DRIVERS

- Private equity realisation income for both six-month periods ending 31 December was negligible. The six months ended 30 June included c. R480 million realisation income, including c. R10 million recognised in equity-accounted income. Negligible new investments were made in the current period given the negative outlook and disciplined pricing (in the respective six month period ended December 2019: R1.4 billion and June 2020: R400 million). The unrealised value in the portfolio was c. R3.9 billion at December 2020 (December 2019: R3.8 billion).
- The performance of the group's post-retirement employee liability insurance (ELI) asset portfolio improved from the prior period, with the losses incurred in the previous six months to 30 June 2020 not repeated due to the recovery of the bond yields and market stabilisation generally.

NOTE 5 – OTHER NON-INTEREST REVENUE – FLAT

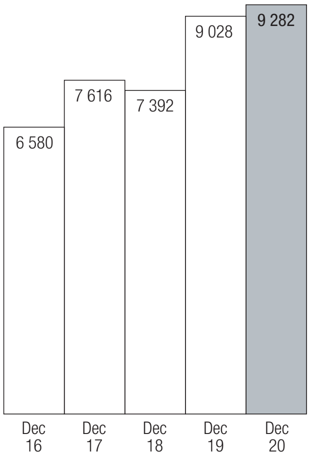
KEY DRIVERS

- The most significant other non-interest revenue items relate to various rental income streams.
- Rental income contributes more than 60% to other non-interest revenue. Rental income in FNB reflected 2% growth, with WesBank showing a strong 12% growth in FML and increased sales of FML vehicles. This was offset by lower recoveries and other sales and fee income.

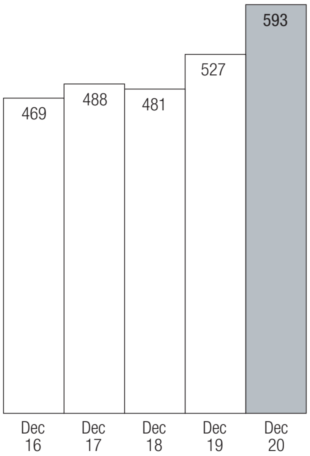
Non-interest revenue continued

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 13%

INVESTMENT IN ASSOCIATES AND JOINT VENTURES
R million



SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES
R million



Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Private equity associates and joint ventures	**545**	421	29	1 049
– Equity-accounted income	**555**	416	33	1 051
– (Impairments)/reversals of impairments	**(10)**	5	(>100)	(2)
Other operational associates and joint ventures	**250**	320	(22)	(468)
– Toyota Financial Services (Pty) Ltd (TFS)	**31**	140	(78)	(14)
– Volkswagen Financial Services (VWFS)	**110**	24	>100	(100)
– RMB Morgan Stanley (Pty) Ltd	**69**	52	33	148
– Other*	**40**	104	(62)	(502)
Share of profits from associates and joint ventures before tax	**795**	741	7	581
Tax on profits from associates and joint ventures	**(202)**	(214)	(6)	(374)
Share of profits from associates and joint ventures after tax	**593**	527	13	207

* *Other includes impairments on clients in distressed industries.*

KEY DRIVERS

- The increase in equity-accounted income from the private equity portfolio is reflective of older vintages benefiting from the rebound of economic activity as lockdown restrictions were eased, whilst newer vintage also contributed positively.
- The results of WesBank's associate VWFS have seen a faster rebound with decreased impairment charges period-on-period. TFS's rebound has been slower due to its portfolio mix, which includes more self-employed and taxi customers.
- RMB Morgan Stanley's performance, although impacted by the poorly performing economy, benefited from additional market volatility and client activity.

Non-interest revenue continued

TOTAL INCOME FROM PRIVATE EQUITY ACTIVITIES (PRIVATE EQUITY DIVISION AND OTHER PRIVATE EQUITY-RELATED ACTIVITIES)

RMB earns private equity-related income primarily from its private equity business, however, other areas in RMB also engage in or hold private equity-related investments (as defined in *Circular 01/2019 Headline Earnings),* which are not reported as part of RMB private equity's results. The underlying nature of the various private equity-related income streams are reflected below.

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
RMB private equity division	**550**	424	30	1 538
Income from associates and joint ventures	**545**	421	29	1 049
– Equity-accounted income*	**555**	416	33	1 051
– (Impairments)/reversals of impairments*	**(10)**	5	(>100)	(2)
Realisations and dividends**	**5**	3	67	489
Other business units	**(22)**	39	(>100)	(737)
Income from associates and joint ventures and other investments	**9**	60	(85)	(591)
– Equity-accounted income*	**4**	18	(78)	(143)
– (Impairments)/reversals of impairments*,#	**(22)**	17	(>100)	(493)
– Other investment income**	**27**	25	8	45
Consolidated other income#	**(31)**	(21)	48	(146)
Private equity activities before tax	**528**	463	14	801
Tax on equity-accounted private equity investments	**(134)**	(133)	1	(314)
Private equity activities after tax	**394**	330	19	487

* *Refer to analysis of income from associates and joint ventures on page 141.*

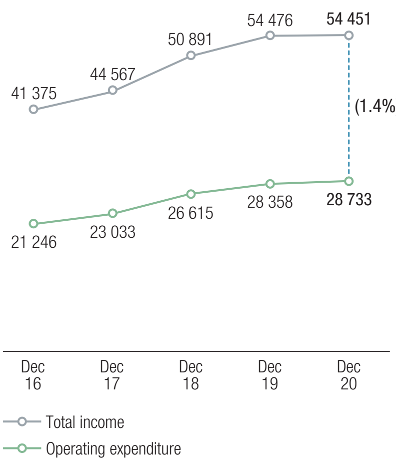
** *Refer to investment income analysis on page 139.*

Included in NII, credit impairment charge and other NIR, depending on the underlying nature of the item.

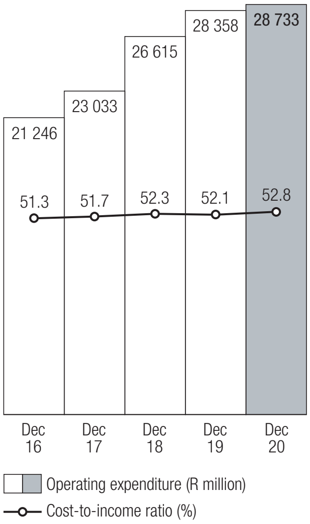
Operating expenses

OPERATING EXPENSES – UP 1%

OPERATING JAWS
R million



OPERATING EFFICIENCY



Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9. No restatements have been included in 2016 to 2018.

OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Staff expenditure	**17 021**	16 899	1	32 815
– Direct staff expenditure*	**13 071**	12 553	4	25 322
– Variable staff expenditure	**2 931**	3 167	(7)	4 707
– Short-term incentive payments	**2 071**	2 262	(8)	3 596
– Long-term incentive payments	**860**	905	(5)	1 111
– Other staff-related expenditure*	**1 019**	1 179	(14)	2 786
Depreciation of property and equipment	**2 137**	1 971	8	4 110
Amortisation of intangible assets	**432**	397	9	836
Advertising and marketing	**654**	1 049	(38)	1 871
Insurance	**60**	55	9	91
Lease charges	**235**	284	(17)	530
Professional fees	**1 192**	1 201	(1)	2 418
Audit fees	**271**	221	23	480
Computer expenses	**1 971**	1 611	22	3 334
Repairs and maintenance	**657**	672	(2)	1 320
Telecommunications	**317**	258	23	569
Cooperation agreements and joint ventures	**(9)**	255	(>100)	508
Property	**612**	564	9	1 143
Business travel	**52**	278	(81)	414
Assets costing less than R7 000	**130**	204	(36)	346
Stationery and printing	**70**	96	(27)	170
Donations	**159**	260	(39)	309
Loss on disposal group held for sale (Tanzania exit)	**187**	–	–	202
Legal fees	**336**	306	10	618
Other expenditure	**2 249**	1 777	27	3 572
Total operating expenses	**28 733**	28 358	1	55 656

* *Certain staff expenses have been reclassified from other staff-related expenditure to direct staff expenditure, as it more accurately reflects the nature of the expenses. The December 2019 information has been restated.*

IT spend

The group's income statement is presented on a nature basis, but to better illustrate the composition of IT spend, the table below reflects the breakdown on a functional basis.

FUNCTIONAL PRESENTATION OF IT SPEND

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
IT-related staff cost	**2 244**	2 218	1	4 581
Non-staff IT-related costs	**3 889**	3 431	13	7 077
– Computer expenses	**1 971**	1 611	22	3 334
– Professional fees	**560**	539	4	1 151
– Repairs and maintenance	**218**	224	(3)	451
– Depreciation	**616**	581	6	1 181
– Amortisation of software	**218**	202	8	364
– Other	**306**	274	12	596
Total IT spend	**6 133**	5 649	9	11 658

Operating expenses continued

KEY DRIVERS

- Cost growth of 1% reflects the overall 1% increase in staff cost, lower costs related to the impact of COVID-19 together with continued investment in new initiatives, technology and platforms.
- Staff costs, which comprise 59% (December 2019: 60%) of the group's operating expenses, increased 1%.

	% CHANGE	REASONS
Direct staff costs	4	Impacted by unionised increases in South Africa at an average of 4% and an effective 2% decrease in staff complement across the group given the additional focus on cost management. A further 2% reduction in headcount is temporary as the new intake of the FirstJobs initiative have been delayed to July 2021, hence only a timing benefit. The overall impact to direct staff cost is however immaterial.
Short-term incentive payments	(8)	Short-term incentive payments reflect the decline in earnings and the group's measure of economic profit, NIACC. The full reduction of the prior year was only reflected in the second half of June 2020.
Long-term incentive payments	(5)	This reflect the IFRS 2 normalised cost related to the group's long term incentive programme (LTI). The 2017 LTI not vesting benefits this period as there was no charge for the remaining three months to September 2020.
Other staff-related expenditure	(14)	Temporary staff costs declined period-on-period given the group's focus on cost containment. Provision for leave pay decreased as staff took additional leave as the lockdown eased.

- The 8% increase in depreciation includes strong growth in WesBank's FML book, which increased the charge by c. R66 million.
- The 9% increase in amortisation of intangible assets is due to software capitalisation across the operating businesses.
- Advertising and marketing costs declined 38% due to decreased marketing events and sports sponsorships as a result of the COVID-19 restrictions, as well as the removal of client mailing as a channel in FNB personal loans.
- The increase in audit fees reflects inflation, scope increases, overruns and special projects following the additional audit requirements brought on by COVID-19 and the lockdown.
- Computer expenses grew 22%, representing continued investment in technology and projects across the group.
- Cooperation agreements and joint venture costs decreased substantially due to the migration of Discovery cards, which was completed in July 2020.
- Business travel is significantly down given COVID-19 travel restrictions and the transition to virtual meetings.
- The 39% decrease in donations is driven by the lower level of prior year earnings.
- The strong growth in legal fees is due to increased debt collection and related fees.
- Other expenditure includes various items such as provisions, entertainment, bank charges, insurance-related acquisition costs, subscriptions and memberships. The notable increase is due to additional provisions raised to address the strained and uncertain operational environment.

COVID-19 costs

While the six months to December 2020 did not include a hard level 5 lockdown, the ongoing level 2 and level 3 lockdowns required continued operational responses to ensure the safety of employees and customers, including:

- managing employee and customer safety and wellbeing on premises; and
- facilitating remote working solutions for the majority of employees.

These interventions resulted in additional costs of R72 million (June 2020: R172 million).

FINANCIAL RESOURCE MANAGEMENT

Economic view of the balance sheet

The structure of the balance sheet reflects the group's long-term strategy to increase balance sheet resilience, diversify credit exposures across sectors and segments, increase market liquidity, and reduce reliance on institutional funding.

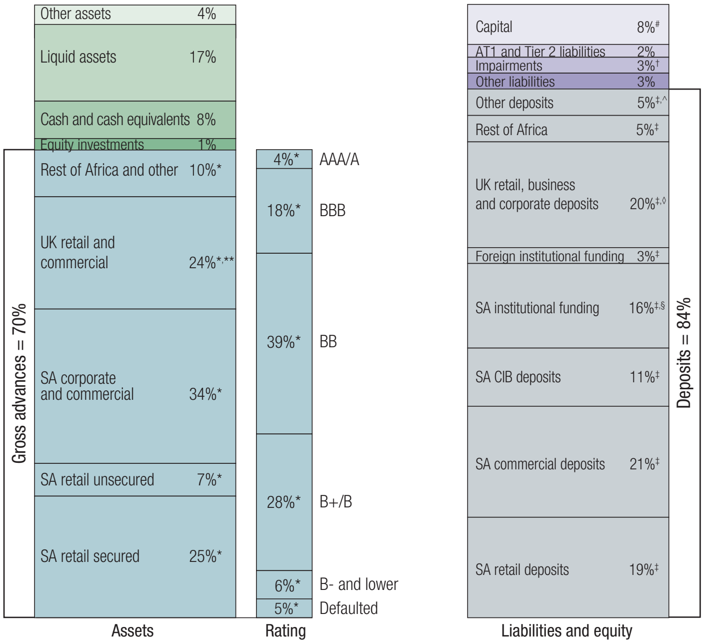
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 70% of total assets. The composition of the gross advances portfolio consists of SA retail secured (25%), SA retail unsecured (7%), SA corporate and commercial (34%), UK retail and commercial (24%), and rest of Africa and other (10%). At December 2020, the group reported total NPLs of R61 285 million (4.80% of advances) and a credit loss ratio of 146 bps.

Cash and cash equivalents, and liquid assets represent 8% and 17%, respectively, of total assets. The group's equity investments relate primarily to RMB's private equity activities.

FirstRand's funding profile continues to reflect the structural funding constraints associated with the South African financial sector. The group has, however, continued to enhance its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of domestic institutional funding was 42 months at December 2020 (December 2019: 37 months). The increase is due to 12-month institutional funding rolling off and not being replaced given the growth in the deposit franchise as a consequence of COVID-19 together with targeted growth of new products and customers, and a higher proportion of longer-term funding remaining at 31 December 2020, increasing the average tenor.

The group remained appropriately capitalised with a CET1 ratio of 12.4%, Tier 1 ratio of 13.1% and total capital adequacy ratio of 15.3%. Gearing increased to 13.7 times (December 2019: 12.8 times) driven by 14.5% growth in average total assets, reflecting a significant increase in derivative assets.

ECONOMIC VIEW OF THE BALANCE SHEET



* *As a proportion of gross advances.*

** *Based on advances originated in MotoNovo, Aldermore and the London branch.*

\# *Includes ordinary equity, non-controlling interests and NCNR preference shares.*

† *Includes IFRS 9 impairment of advances and investment securities.*

‡ *As a proportion of deposits.*

^ *Consists of liabilities relating to conduits and securitisations.*

◊ *Deposits raised in Aldermore and Guernsey branch.*

§ *Includes CIB institutional funding.*

Note: Non-recourse deposits have been netted off against assets. Derivative, securities lending and short trading position assets and liabilities have been netted off.

Funding and liquidity

The group aims to fund its activities in an efficient and flexible manner, from diverse and sustainable funding pools, whilst operating within prudential limits and incorporating rating agency requirements. The group's objective is to maintain and enhance its deposit market share by appropriately rewarding depositors. It targets a funding profile with natural liquidity risk offsets. Due to the liquidity risk introduced by its business activities, the group optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner.

Compliance with prudential liquidity ratios influences the group's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The group continues to offer innovative and competitive products to further grow its deposit franchise whilst also optimising its institutional funding profile. These initiatives continue to improve the group's funding and liquidity profile.

The group entered the COVID-19 crisis in a strong liquidity position, and the diversification and strength of the deposit franchise resulted in the liquidity position improving during the crisis. The group remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA issued *Directive 1 of 2020, Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (COVID-19) pandemic stress period*, which temporarily reduced the prudential LCR requirement from 100% to 80%, effective 1 April 2020. The pandemic continues to negatively affect the South African economy, and key risk metrics and early warning indicators are closely monitored. The group regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. FirstRand continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

FUNDING MANAGEMENT

South Africa is characterised by a low discretionary savings rate and a higher degree of contractual savings captured by institutions such as pension funds, life insurers and asset managers. A portion of these contractual savings translates into institutional funding for banks, which is riskier from a liquidity perspective than funding raised through banks' deposit franchises. South African corporates and the public sector also make use of financial intermediaries that provide bulking and maturity transformation services for their cyclical cash surpluses. Liquidity risk is, therefore, structurally higher in South Africa than in most financial markets. This risk is, however, to some extent, mitigated by the following market dynamics:

- concentration of customer current accounts with the large South African banks;
- the closed rand system, where rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa;
- the prudential exchange control framework; and
- South African banks' low dependence on foreign currency funding.

Considering the structural features of the South African market, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, enabling it to meet prudential liquidity requirements.

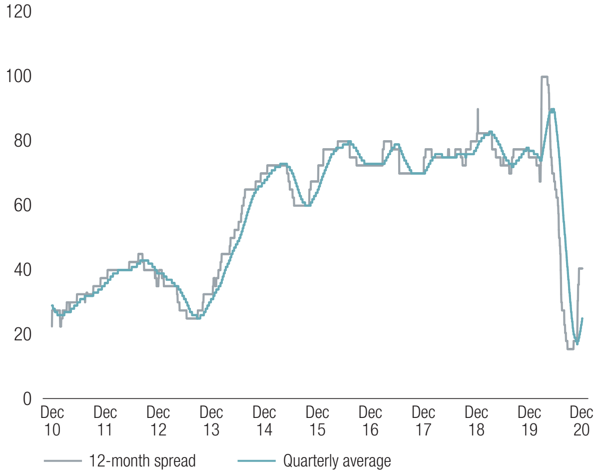
In line with the South African banking industry, FirstRand raises a large proportion of its funding from the institutional market. The group utilises both domestic and international debt programmes to maximise efficiency and flexibility in accessing institutional funding opportunities. The group's strategy for domestic vanilla public issuances is to offer benchmark tenor bonds to meet investor requirements and facilitate secondary market liquidity. This enables the group to identify cost-effective funding opportunities whilst maintaining an understanding of available market liquidity.

Funding and liquidity continued

The following graph shows the market cost of institutional funding, measured as the spread paid on 12-month money market instruments. Following the highs experienced during the COVID-19 crisis, funding spreads fell rapidly as credit appetite reduced and economic activity slowed. Lower institutional funding spreads also evidenced the improved bank liquidity conditions, given the availability of various regulatory liquidity relief measures and sustained growth in client deposits as customers sought refuge in cash. Spreads began to tick up once again late in the calendar year as the market sought to shore up liquidity and refinance maturities heading into the new year.

12-MONTH MID-MARKET FUNDING SPREAD

bps

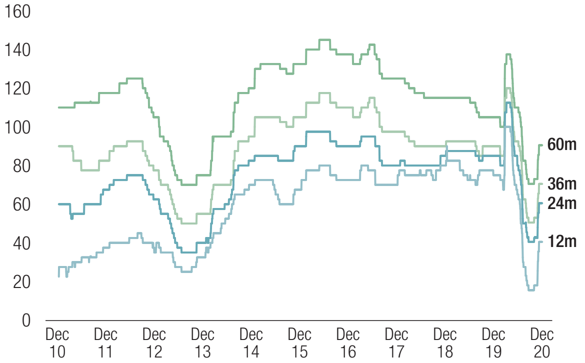


Sources: Bloomberg (RMBP screen) and Reuters.

Having spiked during the COVID-19 crisis, longer-dated funding spreads followed money market levels lower during the period under review as banks' appetite for long-term funding waned. With the easing of lockdowns and the gradual pickup in activity, the curve began to move higher in anticipation of funding needs, though current levels remain at their lowest level over the past six years.

LONG-TERM FUNDING SPREADS

bps



Sources: Bloomberg (RMBP screen) and Reuters.

Funding measurement and activity

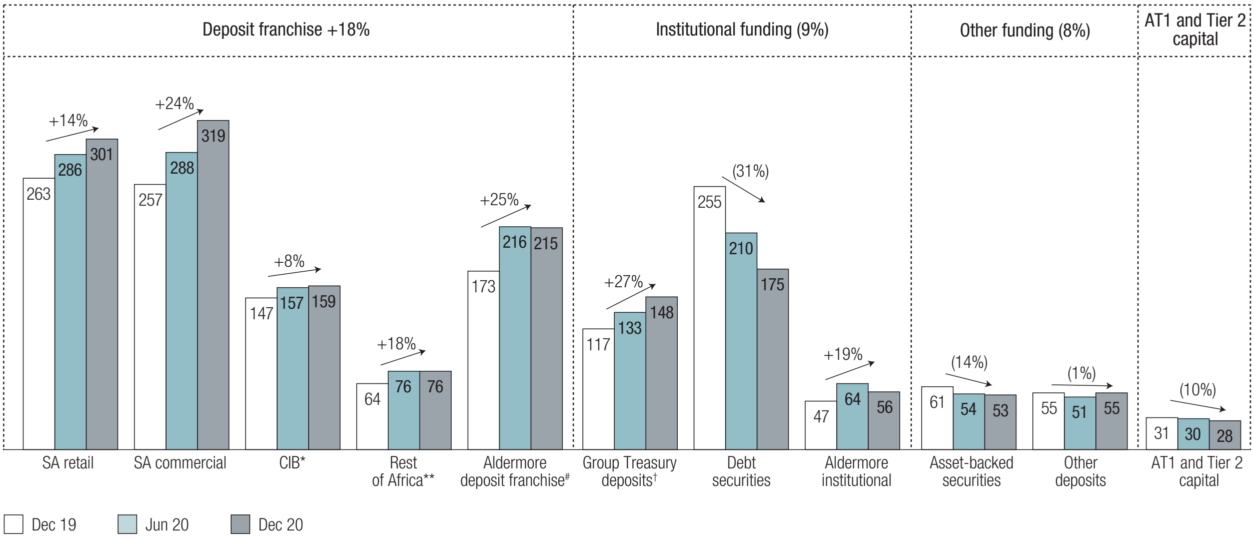
FirstRand Bank remains the primary debt-issuing entity in the group. Although its funding profile reflects the structural features described earlier, it derives a greater proportion of total funding from customer deposits and therefore has a lower reliance on institutional funding compared to the South African industry aggregate.

The group manages its funding profile by source, counterparty type, market, product and currency. The deposit franchise remains the most efficient and stable source of funding, representing 68% of total group funding liabilities at December 2020 (December 2019: 62%).

Growing its deposit franchise across all market segments remains the group's primary focus from a funding perspective, with continued emphasis on savings and investment products. The group continues to develop and refine its product offering to attract a greater proportion of available funding, with improved client pricing adjusted for source and behaviour. In addition to customer deposits, the group accesses domestic money markets frequently and debt capital markets from time to time. The group issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis, with strong support from investors.

The following graph provides a segmental analysis of the group's funding base.

FUNDING PORTFOLIO GROWTH
R billion



Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above.

Note 2: Asset-backed securities include Aldermore's securitisation transactions.

* *CIB deposits include South Africa, as well as the London and India branches.*

** *Rest of Africa deposits include CIB deposits related to the African banking entities.*

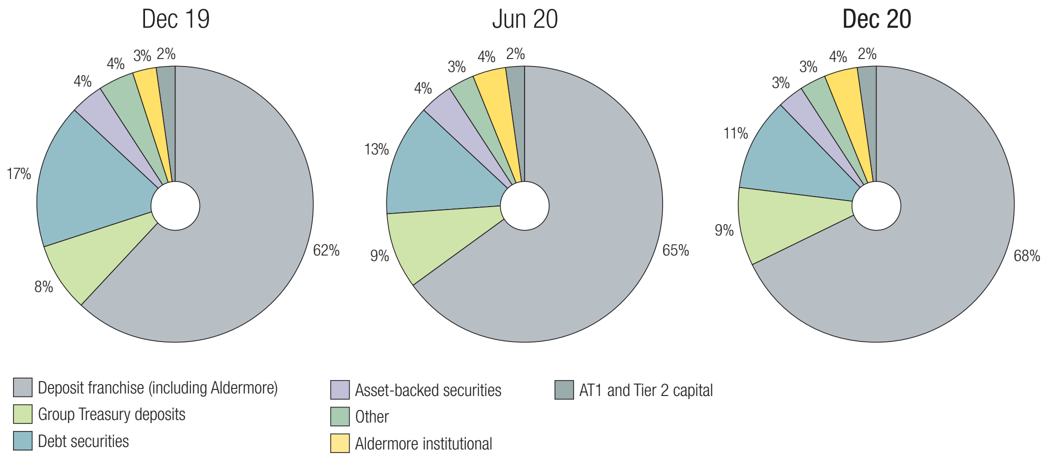
[#] *Aldermore deposit franchise increased 14% in pound terms.*

[†] *Group Treasury deposits include the SARB SME loan-funding facility.*

Funding and liquidity continued

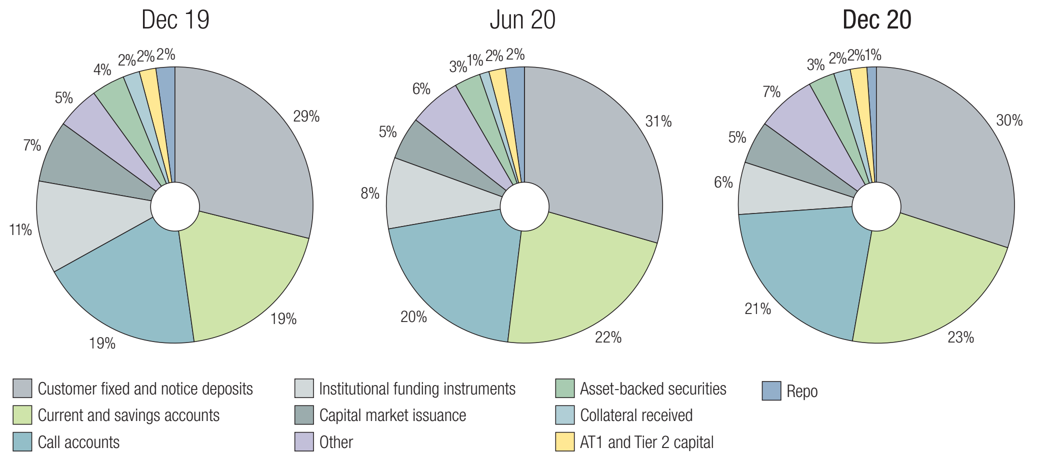
The charts below show that the group's funding mix has improved, with further growth in deposits relative to institutional funding sources period-on-period.

FUNDING MIX



The following graph illustrates the group's funding instruments by type.

FUNDING BY INSTRUMENT TYPE



The group's focus on growing main-banked transactional accounts and deposits naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's individual transactional and savings requirements, when viewed in aggregate, overall portfolio activity is more stable, resulting in an improved liquidity risk profile.

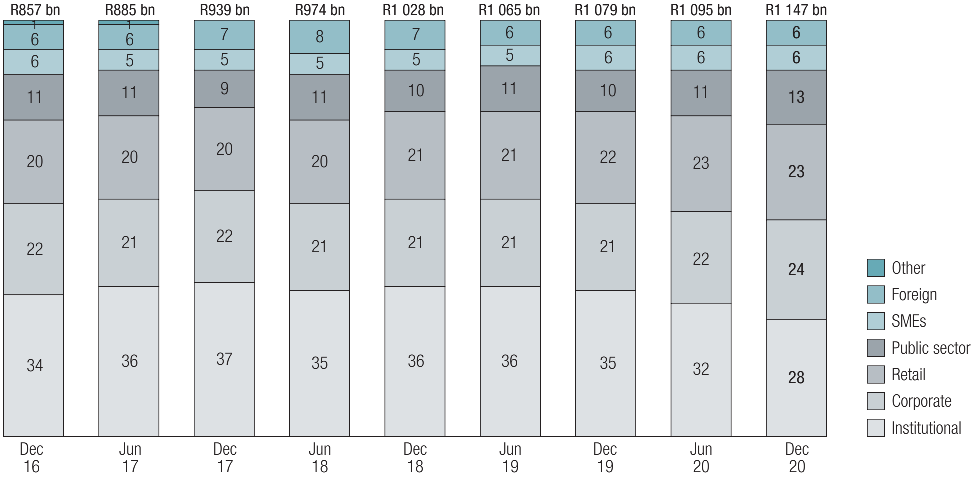
BANK COUNTERPARTY FUNDING ANALYSIS*

	As at 31 December					As at 30 June
	2020				2019	2020
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	Total	Total
Institutional funding	**27.7**	**10.1**	**3.1**	**14.5**	35.2	31.7
Deposit franchise	**72.3**	**60.5**	**6.9**	**4.9**	64.8	68.3
Corporate	**24.1**	**22.2**	**1.5**	**0.4**	21.1	22.1
Retail	**23.2**	**18.5**	**3.1**	**1.6**	21.6	23.0
SMEs	**5.6**	**4.9**	**0.5**	**0.2**	5.5	5.6
Governments and parastatals	**13.5**	**12.1**	**1.1**	**0.3**	10.2	11.0
Foreign	**5.9**	**2.8**	**0.7**	**2.4**	6.3	6.6
Other	**–**	**–**	**–**	**–**	0.1	–
Total	**100.0**	**70.6**	**10.0**	**19.4**	100.0	100.0

* *Excluding foreign branches.*

BANK FUNDING ANALYSIS BY SOURCE*

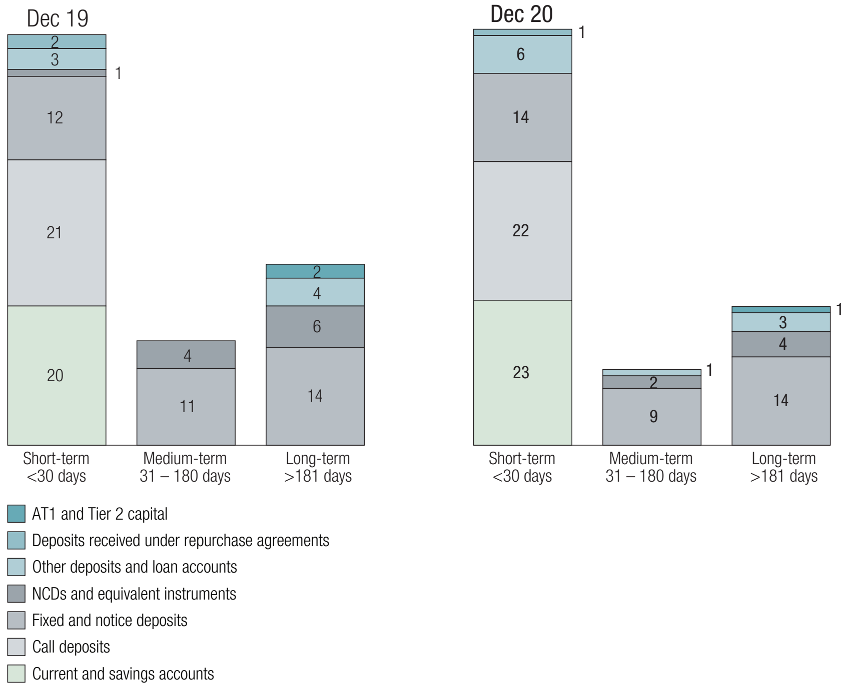
%



* *Excluding foreign branches.*

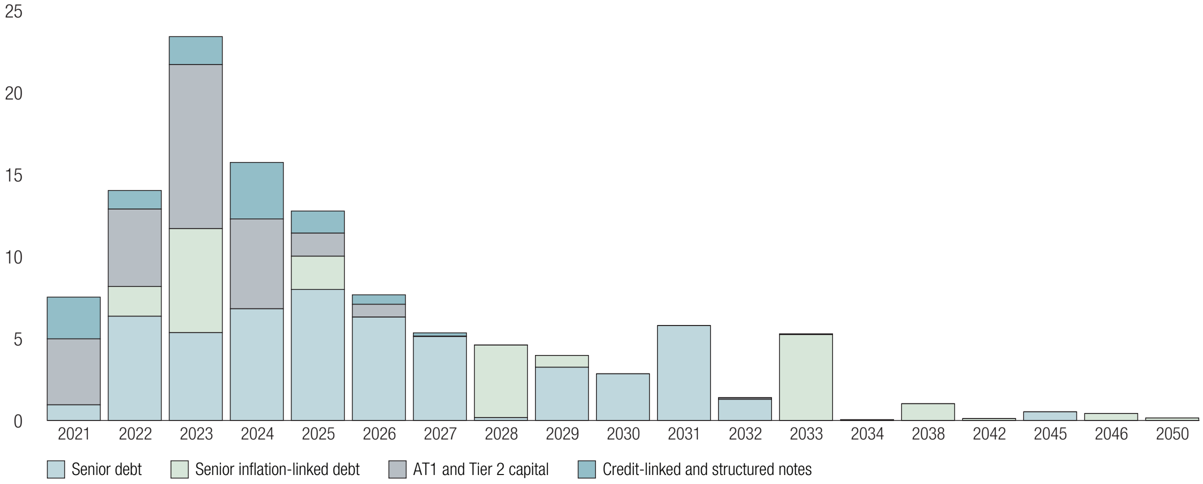
Funding and liquidity continued

GROUP FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM
%



The maturity profile of the bank's capital market instruments is depicted in the following chart. The bank does not have significant instrument-specific concentration risk in any one year and seeks to efficiently issue across the maturity spectrum, taking pricing and investor demand into consideration.

MATURITY PROFILE OF THE BANK'S CAPITAL MARKET INSTRUMENTS*
R billion



* *Including foreign branches.*

Funds transfer pricing

The group operates a funds transfer pricing framework which incorporates liquidity costs and benefits, as well as regulatory friction costs, in product pricing and performance measurement for all on- and off-balance sheet activities. Where fixed-rate commitments are undertaken (fixed-rate loans or fixed-rate deposits), transfer pricing also includes the cost of hedges to immunise business against interest rate risk. Businesses are effectively incentivised to:

- enhance and preserve funding stability;
- ensure that asset pricing is aligned to the group's liquidity risk appetite;
- reward liabilities in accordance with behavioural characteristics and maturity profile; and
- manage contingencies with respect to potential funding drawdowns.

FOREIGN CURRENCY BALANCE SHEET

The active management of foreign currency liquidity risk remains a focus given the group's operations in the UK and in the rest of Africa.

Aldermore

Aldermore has a diversified and flexible funding strategy and is predominantly funded by retail, business and corporate deposits. These account for approximately 79% of total funding with the deposit franchise totalling £11.5 billion as at December 2020.

Aldermore's funding strategy is complemented by its continued access to institutional funding, looking to the capital markets as and when opportunities arise to optimise its funding profile and costs of funds.

Aldermore's liquid asset composition remains prudent with an LCR well in excess of the regulatory minimum, and liquidity risk position managed to stringent internal parameters. Aldermore has maintained a diverse portfolio of HQLA, which has been managed within risk appetite throughout the period.

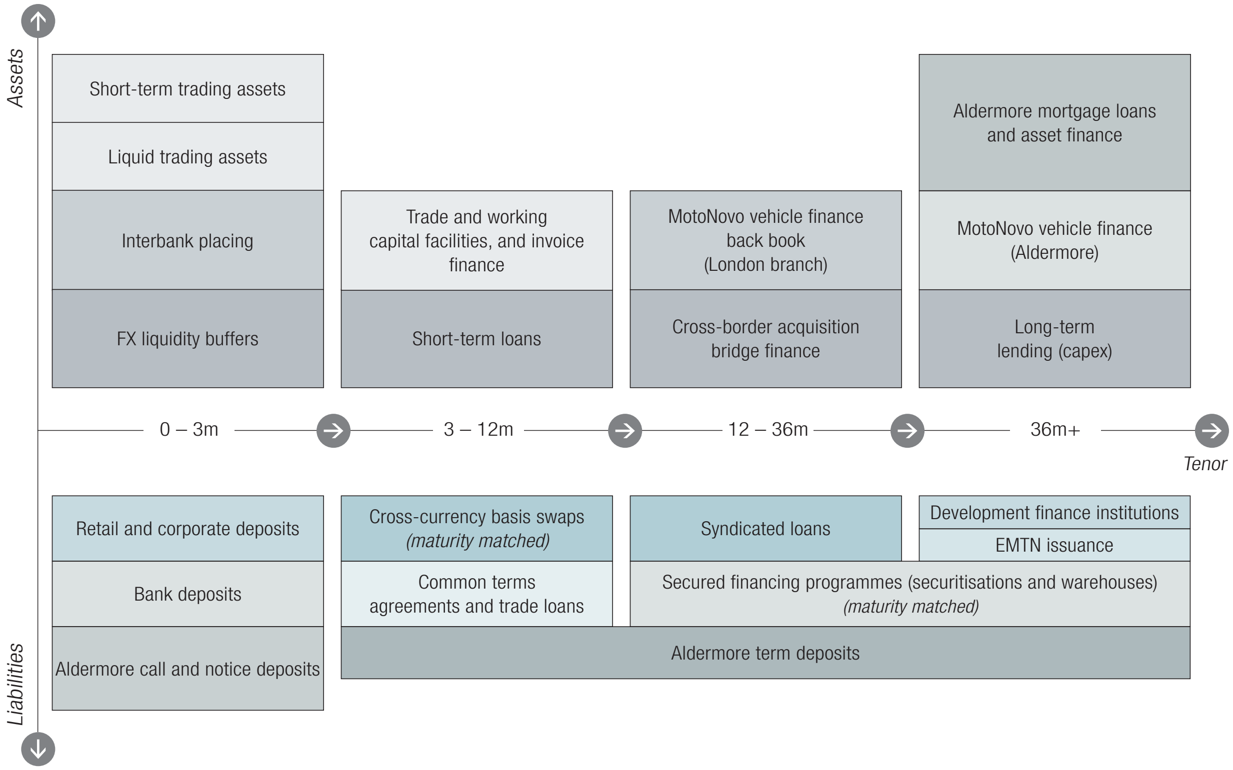
MotoNovo

MotoNovo has been fully integrated with Aldermore and is now supported by Aldermore's funding platform, with new business funded via a combination of on-balance sheet deposits, institutional and structured funding. In October 2020, Aldermore successfully issued the first auto loan securitisation for the MotoNovo front book. With strong investor appetite, Turbo finance 9 ultimately closed with an issuance of £583 million.

MotoNovo's back book (originated prior to May 2019) forms part of the bank's London branch and remains funded through existing funding mechanisms. This book continues to run down through attrition, releasing funding capacity to be redeployed as required.

Funding and liquidity continued

GRAPHICAL REPRESENTATION OF THE GROUP'S FOREIGN CURRENCY BALANCE SHEET



LIQUIDITY RISK POSITION

The following table summarises the group's available sources of liquidity.

COMPOSITION OF LIQUID ASSETS

	As at 31 December	
R billion	**2020**	2019
Cash and deposits with central banks	**54**	47
Government bonds and bills	**212**	173
Other liquid assets	**61**	57
Total liquid assets	**327**	277

The group's portfolio of high-quality liquid assets provides a liquidity buffer against unexpected liquidity stress events or market disruptions and serves to facilitate changing liquidity needs of the operating businesses. The composition and quantum of available liquid assets are defined behaviourally by considering both the funding liquidity-at-risk and the market liquidity depth of these instruments. Additional liquidity overlays in excess of prudential requirements are determined based on stress testing and scenario analysis of cash inflows and outflows.

The group has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The increase in HQLA was not due to a requirement for large buffers. Due to changes in market liquidity conditions, the group's market business increased its client financing activities, which resulted in larger holdings of securities and a related increase in HQLA. The portfolio of HQLA is continuously assessed and actively managed to ensure optimal composition, cost and quantum.

Liquidity ratios for the group and bank at December 2020 are summarised below.

LIQUIDITY RATIOS

	Group*		Bank*	
%	**LCR****	**NSFR**	**LCR****	**NSFR**
Regulatory minimum#	80	100	80	100
Actual	122	125	127	124

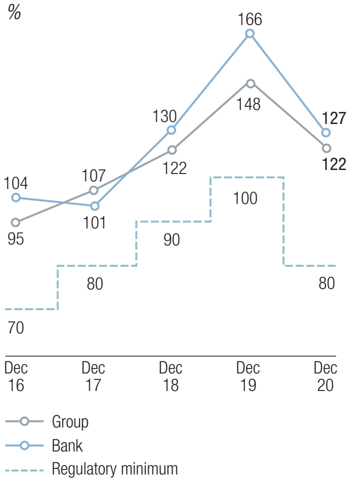
* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. The bank's LCR and NSFR reflect South African operations only.*

** *The LCR is calculated as a simple average of 92 days of daily observations over the period ended 31 December 2020 for FirstRand Bank South Africa. The group's remaining banking entities, including Aldermore, and the bank's London, India and Guernsey branches, are based on the quarter-end values. The figures are based on the regulatory submissions to the PA.*

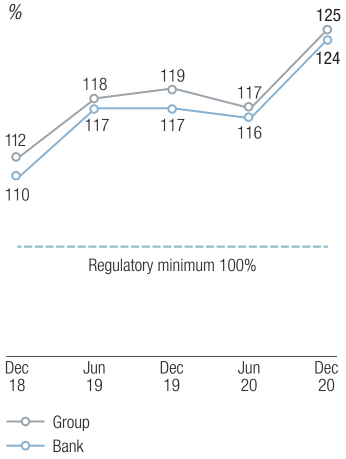
In line with Directive 1 of 2020, the LCR requirement reduced from 100% to 80%, effective 1 April 2020. There were no changes to the NSFR minimum requirement.

The graphs below provide an overview of the group's and bank's liquidity ratios.

LCR



NSFR



Funding from institutional clients is a large contributor to the group's net cash outflows measured under the LCR. Other significant contributors to cash outflows are corporate funding and off-balance sheet facilities granted to clients. The group continues to execute on strategies to increase deposit franchise funding and reduce reliance on institutional sources.

Capital

The group actively manages capital aligned to strategy and risk appetite/profile. The optimal level and composition of capital is determined after taking the following into account:

- prudential requirements, including any prescribed buffer;
- rating agencies' considerations;
- investor expectations;
- peer comparisons;
- strategic and organic growth plans;
- economic and regulatory capital requirements;
- proposed regulatory, tax and accounting changes;
- macro environment and stress test impacts; and
- issuance of capital instruments.

The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minimums across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of normal and severe stress scenarios. The group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FirstRand actively manages its capital stack to ensure an efficient capital structure, closely aligned to group internal targets.

Economic capital is incorporated in the group's internal target assessment, specifically focusing on the level of loss-absorbing capital required to cover the group's economic risk. It is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses. The group continues to enhance the use of economic capital by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the group remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitment to stakeholders over a one-year horizon. Regular reviews of the economic capital position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. For the period under review, the group remained appropriately capitalised to meet its economic capital requirements, and reported an economic capital multiple (loss-absorbing capital/economic capital requirement) of 1.5 times on a post-diversified basis. Refer to page 162 for further analysis of the group's economic capital requirements.

In response to the COVID-19 pandemic, the PA temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020. The minimum leverage ratio requirement was not adjusted as part of the temporary relief measures. The PA published a proposed directive, *Capital framework for South Africa based on the Basel III framework,* on 18 February 2021 which reinstates the Pillar 2A requirement of 1% in 2022, as well as requiring the first 1% of the bank's specified D-SIB requirement to be met with CET1 capital. Given the proposed D-SIB requirement and reinstatement of Pillar 2A, the group internal targets still remain appropriate as a maximum D-SIB and fully phased-in Pillar 2A requirement was assumed in the target assessment.

PERIOD UNDER REVIEW

During the period under review the group maintained a strong CET1 ratio with buffers in excess of the regulatory minimums. Group capital and leverage ratios at 31 December are summarised in the following table.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	7.75	9.63	12.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits				
2020	**12.4**	**13.1**	**15.3**	**7.3**
2019	12.4	13.2	15.6	7.7
Actual – excluding unappropriated profits				
2020	**11.3**	**12.0**	**14.2**	**6.7**
2019	11.4	12.2	14.6	7.1

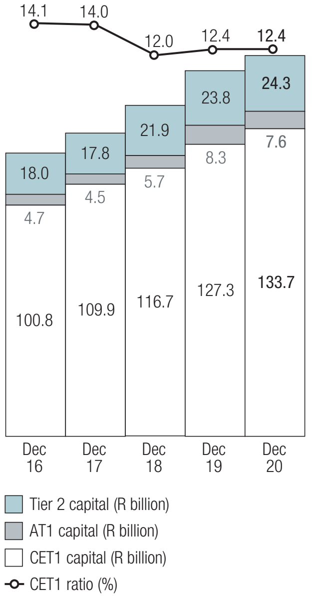
* *Excluding the individual capital requirement (Pillar 2B). The D-SIB requirement for both the group and bank is 1.5%. The group's countercyclical buffer requirement remained at 0% (December 2019: 18 bps).*

Capital continued

The graphs below provide a five-year view of the group's capital adequacy, RWA and leverage positions.

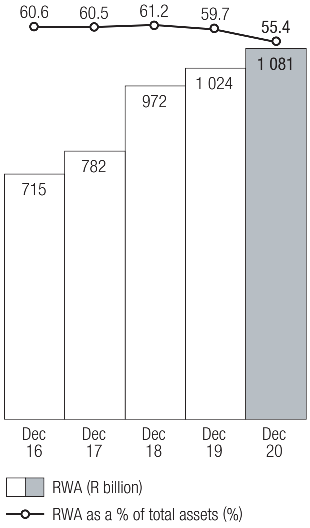
The decrease in RWA to total assets for the group is a function of the growth in derivative assets, as well as capital optimisation.

CAPITAL ADEQUACY*

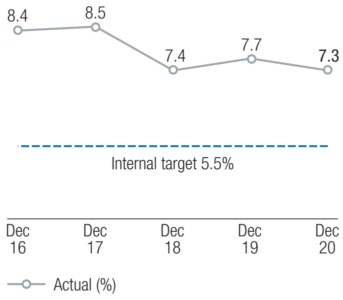


* *Including unappropriated profits.*

RWA HISTORY



LEVERAGE*



* *Including unappropriated profits.*

Note: Periods after 1 July 2018 are reported on an IFRS 9 basis.

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios and is a function of Tier 1 capital, and total on- and off-balance sheet exposures. The decrease in the leverage ratio to December 2020 mainly relates to an increase in total exposures, partly offset by an increase in Tier 1 capital.

Supply of capital

The tables below summarise the group's qualifying capital components and related movements.

COMPOSITION OF CAPITAL*

	As at		
	31 December		30 June
R million	**2020**	2019	2020
CET1 capital excluding unappropriated profits	**121 902**	117 081	126 903
Unappropriated profits	**11 812**	10 196	744
CET1 capital including unappropriated profits	**133 714**	127 277	127 647
Tier 1 capital	**141 349**	135 572	134 312
Total qualifying capital	**165 690**	159 406	161 256

* *Refer to https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for further detail.*

KEY DRIVERS: DECEMBER 2020 vs DECEMBER 2019

CET1 capital	▲	● Positive earnings generation (greater contribution in the second half of the 2020 calendar year), as well as the capital preservation measures introduced by the PA whereby the group did not pay a final dividend for the 2020 financial year. ● Increase in the foreign currency translation reserve (net of goodwill and intangibles) given rand depreciation, partly offset by the IFRS 9 transitional impact.
AT1 capital	▼	● Redemption of the Aldermore contingent convertible security in April 2020 and additional 10% haircut on the group's NCNR preference shares, partly offset by FRB's AT1 issuance in December 2020.
Tier 2 capital	▲	● Benefit from foreign currency translation movements and increased surplus provisions over expected losses, partly offset by the redemption of the FRB15 and FRB16 Tier 2 instruments in March 2020 and July 2020 respectively, as well as movements in third-party capital.

Additional detail on the group's capital instruments is included on page 246.

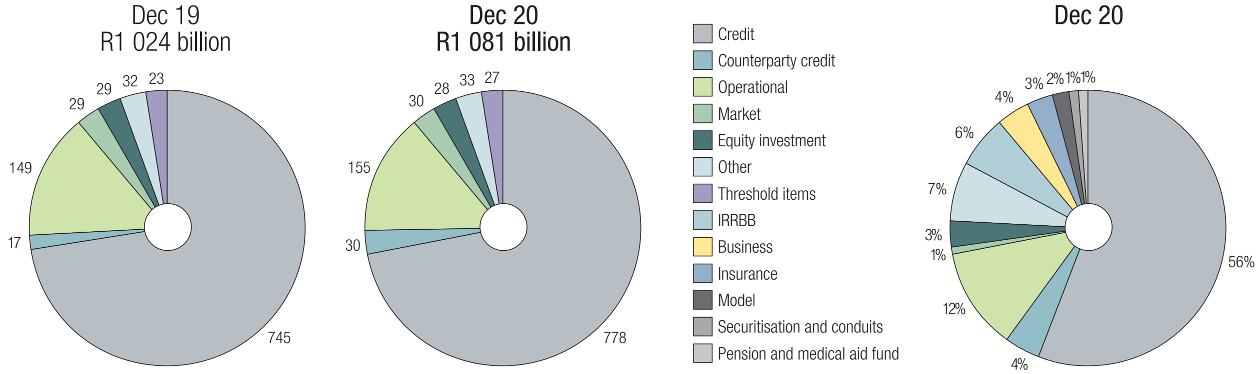
Capital continued

Demand for capital

The charts below provide an analysis of the regulatory RWA and economic capital requirements.

REGULATORY RWA ANALYSIS

ECONOMIC CAPITAL ANALYSIS*



* *Economic capital post intra-risk diversification.*

KEY REGULATORY DRIVERS: DECEMBER 2020 vs DECEMBER 2019		
Credit	▲	- Increase due to the depreciation of the rand, as well as risk migration and the impact of rating downgrades on sovereign and corporate exposures. - Organic growth at muted levels was partly offset by financial resource optimisation strategies.
Counterparty credit	▲	- Increased risk positions and mark-to-market movements on the back of rand volatility against major currencies, coupled with general deterioration in credit outlook.
Operational	▲	- Recalibration of risk scenarios and an increase in gross income used to calculate the capital floor requirements for entities on the advanced measurement approach. - Increase in gross income for entities on basic approaches (basic indicator and standardised approach).
Market	▲	- Market volatility due to the COVID-19 pandemic and rating downgrades were partly offset by the reduced market risk multiplier and refinement of methodologies.
Equity investment	▼	- Fair value adjustments and impairment of investments.
Other	▲	- Increase in other assets.
Threshold items	▲	- Increase in the deferred income tax assets, including the transitional impact of IFRS 9, partly offset by a decrease in investments in financial and banking entities.

Effective 1 January 2021, the PA published amended regulations for the implementation of the standardised approach for measuring counterparty credit risk (SA-CCR) and equity investment in funds. The impact on capital and leverage has been incorporated in the group's capital planning and is not expected to be material.

Capital adequacy position for the group, its regulated subsidiaries and the bank's foreign branches

The group's registered banking subsidiaries and foreign branches must comply with PA regulations and those of their respective in-country regulators, with primary focus placed on Tier 1 and total capital adequacy ratios. The group's approach is that all entities must be adequately capitalised on a standalone basis. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of in-country regulatory minimums.

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and economic capital requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends or return of profits. RMB Nigeria declared and paid a dividend to FREMA in April 2020. FREMA is in the process of converting the naira dividend into dollars, and this repatriation is expected to be concluded over a lengthy period, given dollar liquidity constraints in Nigeria. Except for capital preservation measures announced by international regulators, no restrictions were experienced on the repayment of dividends or profits for the remaining group entities.

In line with international practice, certain regulators have adopted similar COVID-19 temporary relief measures for their minimum regulatory requirements. The revised minimum requirements, RWA and capital adequacy positions of FirstRand, its regulated subsidiaries and the bank's foreign branches are summarised in the table below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

	As at 31 December					As at 30 June
	2020				2019	2020
	Total minimum requirement* %	**RWA** R million**	**Tier 1 %**	**Total capital adequacy %**	Total capital adequacy %	Total capital adequacy %
Basel III (PA regulations)						
FirstRand[#]		**1 080 689**	**13.1**	**15.3**	15.6	14.5
FirstRand Bank[#,†]		**732 622**	**14.2**	**16.7**	17.1	15.7
FirstRand Bank South Africa[#]	**12.0**	**699 100**	**13.9**	**16.6**	17.1	15.5
FirstRand Bank London		**31 171**	**17.0**	**18.0**	13.3	15.9
FirstRand Bank India		**1 896**	**38.9**	**39.3**	23.8	31.8
FirstRand Bank Guernsey		**333**	**19.4**	**19.4**	16.5	12.9
Basel III (local regulations)						
Aldermore Bank	**12.3**	**126 842**	**14.8**	**17.3**	15.8	16.6
FNB Namibia	**10.0**	**31 182**	**14.5**	**18.5**	17.1	17.6
Basel II (local regulations)						
FNB Mozambique	**12.0**	**1 814**	**21.4**	**21.4**	21.2	27.2
RMB Nigeria	**10.0**	**4 353**	**38.6**	**38.6**	39.9	44.9
FNB Botswana	**12.5**	**24 374**	**18.5**	**23.6**	20.8	21.4
FNB Eswatini	**8.0**	**4 584**	**22.0**	**22.8**	23.1	22.1
First National Bank Ghana	**11.5**	**2 828**	**37.4**	**37.4**	>100	51.4
Basel I (local regulations)						
FNB Tanzania	**14.5**	**964**	**25.0**	**25.0**	23.7	20.5
FNB Lesotho	**8.0**	**921**	**15.7**	**18.0**	16.9	17.0
FNB Zambia	**10.0**	**3 111**	**16.1**	**23.2**	24.1	23.2

* *Excluding the individual capital requirement (Pillar 2B) for the PA regulated entities. Minimum requirements adjusted for COVID-19 temporary relief measures, where applicable.*

** *RWA for entities outside of South Africa converted to rands using the closing rate at 31 December 2020.*

[#] *Including unappropriated profits.*

[†] *Including foreign branches.*

Capital continued

Solvency capital requirements for insurance subsidiaries

Capital for insurance entities is calculated on a regulatory basis in line with the Insurance Act (18 of 2017) and regulations, as well as on an economic basis. Capital is risk sensitive and is also used to understand the exposure to insurance risk. The insurance group's own risk and solvency assessment (ORSA) assesses the impact of various stresses on the solvency position of the insurance entities, and informs the capital targets. Target levels for capital coverage are specified in the insurance risk appetite statement and have been met over the period under review. The impact of COVID-19 has been incorporated in the actuarial capital assessments, and insurance entities remain appropriately capitalised.

SOLVENCY CAPITAL REQUIREMENTS FOR THE GROUP'S INSURANCE ENTITIES AT DECEMBER 2020

Times	**Actual**	**Target**	**Minimum**
FirstRand Life Assurance	**1.48**	1.4	1.0
FirstRand Short Term Insurance	**2.88**	1.5	1.0
FRISCOL	**1.95**	1.2	1.0

Regulatory update

COVID-19	In response to the 2020 COVID-19 pandemic, the PA implemented temporary measures outlined below to provide capital and liquidity relief to enable banks to counter economic risks to the financial system as a whole. ● *Directive 1 of 2020, Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (COVID-19) pandemic stress period* Given the financial market turmoil and reduced market liquidity, banks could find it increasingly difficult to comply with the prescribed 100% LCR requirement set out in the regulations. The PA, therefore, deemed it appropriate to temporarily amend the minimum requirement specified for banks' compliance with LCR to 80%, effective 1 April 2020. The period for which the relief will remain in place is dependent on how the crisis evolves and its impact on the banking system, but a return to the 100% limit will be phased in. This action was consistent with measures taken by international regulators and provided the system with capacity to utilise liquidity buffers built up since 2015. As this is a temporary change in the limit, when the 100% limit is restored the buffers will need to be replenished. ● *Directive 2 of 2020, Matters related to temporary capital relief to alleviate risks posed by the COVID-19 pandemic* The PA considers the COVID-19 pandemic to be a stress event posing risk to the entire financial system and has, therefore, temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020. Any bank or banking group will also be allowed to draw down against its capital conservation buffer while the directive remains in place. In the event that banks or banking groups enter the capital conservation buffer, they will be required to consult the PA. ● *Directive 3 of 2020, Matters related to the treatment of restructured credit exposures due to the Coronavirus (COVID-19) pandemic* The banking sector has been encouraged to continue to extend credit to sectors in need, particularly households and small businesses, and to provide relief measures to reduce the strain on these sectors in an effort to sustain the local economy and maintain financial stability. The PA has been supportive of the various COVID-19 relief initiatives offered to customers, such as payment holidays being offered by banks in order to provide relief to certain borrowers in the retail sector in an effort to mitigate the impact of the pandemic. The PA is also cognizant of the possible effect of the pandemic on the corporate sector. The PA has, therefore, provided temporary relief on the minimum capital requirements for banks, controlling companies and branches of foreign institutions relating to credit risk during this time.
BASEL III REFORMS	The PA issued Guidance Note 7 of 2020, *Proposed implementation dates in respect of specified regulatory reforms.* The following reforms went into effect on 1 January 2021: ● SA-CCR; ● capital requirement for bank exposures to central counterparties; and ● capital requirements for banks' equity investments in funds. The proposed implementation date for the revisions of the securitisation framework and large exposures framework is 1 April 2021.

Regulatory update continued

LCR

To fully comply with the LCR requirement, the group holds a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market. To assist the industry to comply with the LCR, the PA introduced the committed liquidity facility (CLF). Guidance Note 8 of 2020, *Continued provision of a committed liquidity facility and the introduction of a restricted-use committed liquidity facility by the South African Reserve Bank*, was released on 9 September 2020, and provides revised guidelines and conditions relating to the continued provision and the phase-out of the CLF, specifically covering the period from 1 December 2020 to 30 November 2021. The guidance note confirms that the CLF will be fully phased-out by 1 December 2021. The guidance note also introduced the restricted-use committed liquidity facility (RCLF) which was made available to all banks from 1 December 2020 onwards. As a replacement for the CLF, the RCLF makes use of eligible collateral, as applicable, to the CLF. Specific reporting requirements relating to the RCLF are specified in regulation 26(12)(b)(iii)(D) of the Regulations.

RESOLUTION FRAMEWORK

The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019. The discussion paper outlined the objectives of the resolution framework, and the planning and conducting of a resolution with an emphasis on open-bank resolution. Open-bank resolution is applicable to systemically important institutions where the bank continues to function in its existing form under its own licence. The intended bank resolution provides more clarity on the regulator's approach to further enhance financial stability in the country.

The discussion paper is a first draft and is likely to be revised and expanded in future. Comments received on the discussion paper will assist the SARB in drafting the regulatory standards for resolution once the Financial Sector Laws Amendment Bill (FSLAB) is promulgated. The FSLAB was tabled in Parliament by the Minister of Finance on 20 August 2020.

The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are subordinated to other unsecured creditors and intended for bail-in in resolution. Flac requirements will be applicable to banks with open-bank resolution plans. The SARB acknowledges the international approaches towards calibration of total loss-absorbing capacity but has not detailed how the quantum of required flac will be calculated for relevant institutions, nor the deadline for compliance. PwC, appointed by the World Bank and the SARB, conducted a survey to analyse various aspects relevant to flac instrument requirements. The World Bank published *South Africa: Feasibility and Cost-Benefit Analysis of Using Bail-In as a Recapitalisation Mechanism* in December 2020 and covers the point of non-viability versus the point of resolution, characteristics and calibration of flac instruments, location of issuance, pricing considerations and transitional arrangements.

An amendment to the FSLAB included the establishment of the Corporation for Deposit Insurance (CoDI) and is designed to protect depositors' funds and enhance financial stability. The SARB has commenced with a project to consider the complexities of operationalising a deposit insurance scheme in South Africa and has also released several discussion documents. The SARB has published the documents below for comment over the last 12 months:

- *April 2020: Coverage and reporting rules for deposit insurance in South Africa.*
- *September 2020: The deposit insurance funding model and the implication for banks.*
- *October 2020: Group structure reporting requirements for resolution planning.*
- *February 2021: Data definition and reporting requirements for deposit insurance in South Africa.* The paper focuses on the data requirements and reporting options, operational capabilities and technology proposals for CoDI.

FINANCIAL CONGLOMERATES

The Financial Sector Regulation Act empowers the PA to designate a group of companies as a financial conglomerate and to also regulate and supervise such designated financial conglomerates. The PA is also empowered to issue prudential standards relating to financial conglomerates, and these must be complied with by the holding companies of such financial conglomerates.

The PA published the following documents in the last 12 months:

- 4 March 2020: Draft financial conglomerate standards published for a second round of consultations. Comments on the draft standards and an impact assessment study were provided by the banking industry in June 2020. Once the financial conglomerate standards have been finalised, the reporting templates for the standards will be drafted for further consultation.
- September 2020: Financial conglomerate designation criteria published to provide clarity on the factors the PA will consider when designating financial conglomerates.
- October 2020: Draft standards, excluding the capital standards, were released for a third round of consultations.

Performance measurement

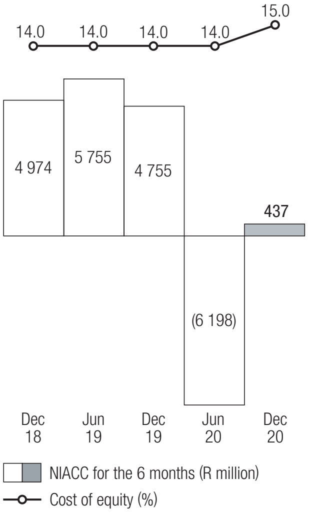
The group aims to deliver sustainable returns to its shareholders with each business unit evaluated on shareholder value created. This is measured through ROE and the group's specific benchmark of economic profit, NIACC.

NIACC is embedded across the group, and as a function of normalised earnings and the cost of capital, provides a clear indication of economic value added.

Targeted hurdle rates are set for the business units and capital is allocated to each business unit based on its risk profile. The capital allocation process is based on internal assessment of the capital requirements.

NIACC has decreased predominantly due to the reduction in normalised earnings of 21%, driven mainly by materially higher credit impairments. Average shareholders' equity increased by 7%. The group's ROE was significantly impacted by the COVID-19 crisis, with the ROE declining from 21.2% at 31 December 2019 to 15.6% at 31 December 2020. The ROE is above the group's **cost of equity of 15%.**

NIACC AND COST OF EQUITY



Note: The years 2016 and 2017 are based on IAS 39 and 2018 to 2020 on IFRS 9.

NIACC AND ROE

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised earnings attributable to ordinary shareholders	**11 042**	14 009	(21)	17 265
Capital charge*	**(10 605)**	(9 254)	15	(18 708)
NIACC**	**437**	4 755	(91)	(1 443)
Average ordinary shareholders' equity and reserves	**141 397**	132 201	7	133 628
ROE (%)	**15.6**	21.2		12.9
Cost of equity (%)#	**15.0**	14.0		14.0
Return on average RWA	**2.01**	2.76		1.63

* *Capital charge based on cost of equity.*

** *NIACC = normalised earnings less capital charge (cost of equity x average ordinary shareholders' equity and reserves).*

The group's cost of equity is calculated using the capital asset pricing model. The risk-free rate of 10% is determined through a fair value assessment of the South African risk-free rate with the calculations referencing the global risk-free yield and the country risk premium as well as expected inflation adjusted for potential future inflation uncertainty. The risk premium of 5% is determined using the FirstRand beta and equity risk premium.

SHAREHOLDER VALUE CREATION

The table below shows the decomposition of the ROE into the ROA and gearing. Decomposition of the ROE indicates that the reduction in ROE was largely driven by reduction in ROA as illustrated in the table below.

SHAREHOLDER VALUE CREATION

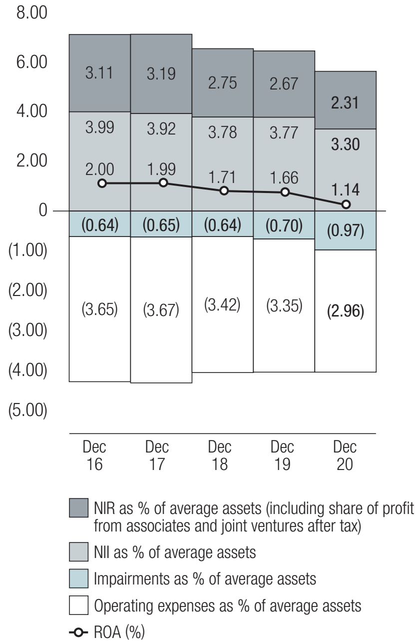
	Six months ended 31 December					Year ended 30 June
	2020	2019	2018	2017	2016	2020
ROA (%)	**1.14**	1.66	1.71	1.99	2.00	0.96
Gearing*	**13.7**	12.8	13.0	11.3	11.5	13.4
ROE (%)	**15.6**	21.2	22.3	22.5	22.9	12.9

** Gearing = average total assets/average equity.*

** The group ROA has structurally changed due to the acquisition of Aldermore.*

The following graph provides a summary of the drivers of the ROA over time. The decline in ROA from 1.66% at 31 December 2019 to 1.14% at 31 December 2020 was primarily driven by higher impairments. The ROA and its components in the graph below were further impacted by growth in average assets. Average assets reflected strong growth of 14.5%, largely due to growth in derivative assets. Average asset growth excluding derivative assets was 9% and average net advances growth was 2%.

ROA ANALYSIS



Note: The graph shows each item before taxation and non-controlling interests as a percentage of average assets. ROA is calculated as normalised earnings (after tax and non-controlling interests) as a percentage of average assets.
The years 2016 and 2017 are based on IAS 39 and 2018 to 2020 on IFRS 9.

OPERATING BUSINESS RETURNS

The group aims to deliver sustainable returns to its shareholders with each business unit evaluated on shareholder value created.

The tables below provide a summary of performance of the group's operating businesses:

ROE AND NORMALISED EARNINGS PER BUSINESS

	Six months ended 31 December				Year ended 30 June	
	2020		2019		2020	
R million	**Normalised earnings***	**ROE %**	Normalised earnings*,**	ROE %**	Normalised earnings*,**	ROE %**
FNB	**7 256**	**30.1**	9 084	39.7	12 075	25.8
RMB	**3 091**	**16.4**	3 352	19.4	5 517	15.5
WesBank	**668**	**15.2**	943	18.4	820	8.0
UK operations#	**1 023**	**8.4**	1 127	11.1	835	3.9
FCC†	**(996)**	**(8.7)**	(497)	(4.6)	(1 982)	(10.2)
FirstRand group	**11 042**	**15.6**	14 009	21.2	17 265	12.9
Total rest of Africa‡	**931**	**14.0**	1 200	21.9	1 878	14.6

* *Includes the return on capital in rest of Africa operations and the cost of other capital and preference shares, therefore, differs from business normalised earnings in the segment report on pages 38 to 49 .*

** *The comparatives were restated for segmentation changes. For the comparatives, the capital allocation was restated to align with the current period allocation approach.*

Aldermore group including MotoNovo (front and back books). In the segment report on pages 52 to 54, the MotoNovo back book is included in FCC. Normalised earnings include return on capital and cost of other capital instruments allocated to the MotoNovo back book and therefore differs from normalised earnings on page 37. ROEs are calculated in pound terms.

† *Includes Group Treasury as well as the unallocated surplus capital.*

‡ *Reflects the business's combined operations in the legal entities in the rest of Africa.*

BUSINESS ROAs

	ROA		
	Six months ended 31 December		Year ended 30 June
%	**2020**	2019*	2020*
FNB	**2.99**	3.74	2.50
RMB	**0.97**	1.25	0.94
WesBank	**1.01**	1.35	0.60
UK operations**	**0.54**	0.76	0.26
FCC#	**(0.62)**	(0.43)	(0.82)
FirstRand group	**1.14**	1.66	0.96

* *The comparatives were restated for segmentation changes.*

** *Aldermore group including the MotoNovo (front and back books). ROAs are calculated in pound terms.*

Includes Group Treasury.

IFRS INFORMATION

Presentation

BASIS OF PRESENTATION

The condensed consolidated interim financial statements contained in this *Analysis of financial results* booklet are prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS, the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The JSE Listings Requirements require interim reports to be prepared in accordance with and to contain the information required by:

- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Pronouncements as issued by the Financial Reporting Standards Council; and
- International Financial Reporting Standard, IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements for the six months ended 31 December 2020 have not been audited or independently reviewed by the group's external auditors.

Any forecast financial information contained herein has not been reviewed or reported on by the group's external auditors.

ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2020.

The condensed consolidated interim financial report is prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

Improvements to the Conceptual Framework, which included revised definitions of assets and liabilities and clarified concepts relating to prudence, stewardship, measurement uncertainty and substance over form, became effective in the current period. Other amendments that became effective in the current period include amendments to IFRS 3 to clarify the definition of a business in a business combination and amendments to IAS 1 and IAS 8 to update and clarify the definition of materiality.

In addition, amendments were made to IFRS 9 and IAS 39 as part of phase 1 of the interbank offered rate (IBOR) reform, to provide hedge accounting relief for any hedging relationships if a particular interest rate is affected by an IBOR reform. The amendments remove any uncertainty regarding the rate designated in a hedge accounting relationship by allowing for the existing rate as well as any replacement rate of that existing rate (specifically due to the IBOR reform). Without this being specifically provisioned for in the standard, rate uncertainty would result in hedge accounting being discontinued. The amendments provide relief for the group's hedges that are impacted by IBOR reform.

None of the new or amended IFRS that became effective for the six months ended 31 December 2020 impacted the group's reported earnings, financial position or reserves, or the accounting policies.

NORMALISED RESULTS

The group believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies, which, in terms of the JSE Listings Requirements, constitute *pro forma* financial information.

All normalised entries, as included and described in the *Analysis of financial results* for the year ended 30 June 2020, remain unchanged.

This *pro forma* financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

Consolidated private equity subsidiaries

In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.

FirstRand shares held for client trading activities

The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group.

In terms of IAS 32, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss.

In addition, one of the group's joint ventures also holds FirstRand shares for client trading activities. In terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. The group's portion of the fair value change in the FirstRand shares is, therefore, deducted from equity-accounted earnings and the carrying value of the investment recognised using the equity-accounted method. The shares held by the joint venture are not deducted from equity.

Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits, when equity accounting is applied the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group.

For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group.

Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

Margin-related items included in fair value income

In terms of IFRS the group has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the group's IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income within NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results.

The amount reclassified from NIR to NII includes the following items:

- the margin on the component of the wholesale advances book in RMB that is measured at FVTPL;
- fair value gains on derivatives that are used as interest rate hedges, but which do not qualify for hedge accounting; and
- currency translations and associated costs inherent to the USD funding and liquidity pool.

IAS 19 remeasurement of plan assets

In terms of IAS 19, interest income is recognised on the plan assets and offset against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

Realisation on the sale of private equity subsidiaries

In terms of *Circular 01/2019 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. The industry rule, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.

Cash-settled share-based payments and the economic hedge

The group entered into a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes.

In accordance with IFRS 2, the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense.

When calculating normalised results, the group defers the recognition of the fair value gain or loss on the hedging instrument for the specific reporting period to the period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group, regarding the share schemes that are not hedge accounted.

In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses is equal to the grant date fair value of the awards given.

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 01/2019 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 182.

COVID-19 impact

While the specific areas of judgement used at 31 December 2020 did not change from those as at 30 June 2020, the dynamic and evolving nature of COVID-19, combined with limited recent experience of the economic and financial impact of such a pandemic, resulted in additional judgement being applied within those identified areas.

Significant judgement and estimates impacted by COVID-19 since 30 June 2020

For 30 June 2020, a number of key areas of judgement and estimates were impacted by COVID-19. The details of these areas were reported in the group's *Analysis of financial results* booklet which is available at www.firstrand.co.za/investors/financial-results.

Set out below is an overview of the estimates and assumptions that changed since 30 June 2020.

IMPAIRMENT OF PROVISIONS OF ADVANCES

Incorporating forward-looking information

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its ECL calculation, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

An overview of the significant changes in these forward-looking views since 30 June 2020 has been provided. Refer to pages 210 to 215.

Significant increase in credit risk – extended relief provided

In retail and SME retail portfolios there were limited instances where, on conclusion of the original three-month payment relief offered, a further extension of relief is required and accommodated. This is subject to internally defined qualifying criteria.

The majority of these extensions of relief were classified as a significant increase in credit risk, with the associated exposures migrated to stage 2 at a minimum, with lifetime expected credit losses raised, unless the loans cured to stage 1 already.

In the case of corporate (including SME corporate) exposures, relief extension cases were reviewed on a case-by-case basis to determine the likely sustainability of post-relief payments. This is used to classify significant increase in credit risk on a case-by-case basis.

ASSESSMENT OF THE GOING CONCERN PRINCIPLE

Consistent with the approach followed at 30 June 2020, the impact of COVID-19 has been incorporated into the going concern assessment made by the directors. Where applicable, the factors considered as at 30 June 2020 have been updated for the developments in the last six months. On the basis of this review, and in light of its current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the interim financial results.

Condensed consolidated income statement – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Interest income calculated using effective interest rate	**53 181**	62 399	(15)	121 046
Interest on other financial instruments and similar income	**771**	454	70	841
Interest and similar income	**53 952**	62 853	(14)	121 887
Interest expense and similar charges	**(22 401)**	(31 251)	(28)	(58 972)
Net interest income before impairment of advances	**31 551**	31 602	–	62 915
Impairment and fair value of credit on advances	**(9 414)**	(5 934)	59	(24 383)
– Impairment on amortised cost advances	**(9 416)**	(5 936)	59	(23 823)
– Fair value of credit on advances	**2**	2	–	(560)
Net interest income after impairment of advances	**22 137**	25 668	(14)	38 532
Non-interest revenue	**22 413**	22 173	1	41 691
– Net fee and commission income	**16 031**	16 067	–	30 058
– Fee and commission income	**18 890**	19 216	(2)	36 244
– Fee and commission expense	**(2 859)**	(3 149)	(9)	(6 186)
– Insurance income	**2 029**	2 207	(8)	3 941
– Fair value income	**2 791**	2 257	24	4 084
– Fair value gains or losses	**4 717**	4 859	(3)	8 869
– Interest expense on fair value activities	**(1 926)**	(2 602)	(26)	(4 785)
– Gains less losses from investing activities	**41**	84	(51)	561
– Other non-interest revenue	**1 521**	1 558	(2)	3 047
Income from operations	**44 550**	47 841	(7)	80 223
Operating expenses	**(28 720)**	(28 227)	2	(55 276)
Net income from operations	**15 830**	19 614	(19)	24 947
Share of profit of associates after tax	**381**	461	(17)	24
Share of profit of joint ventures after tax	**320**	70	>100	5
Income before indirect tax	**16 531**	20 145	(18)	24 976
Indirect tax	**(714)**	(734)	(3)	(1 348)
Profit before tax	**15 817**	19 411	(19)	23 628
Income tax expense	**(3 888)**	(4 478)	(13)	(4 848)
Profit for the period	**11 929**	14 933	(20)	18 780
Attributable to				
Ordinary equityholders	**11 132**	13 982	(20)	17 021
Other equity instrument holders	**379**	498	(24)	1 145
Equityholders of the group	**11 511**	14 480	(21)	18 166
Non-controlling interests	**418**	453	(8)	614
Profit for the period	**11 929**	14 933	(20)	18 780
Earnings per share (cents)				
– Basic	**198.5**	249.3	(20)	303.5
– Diluted	**198.5**	249.3	(20)	303.5
Headline earnings per share (cents)				
– Basic	**198.9**	249.4	(20)	308.9
– Diluted	**198.9**	249.4	(20)	308.9

Condensed consolidated statement of other comprehensive income – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Profit for the period	**11 929**	14 933	(20)	18 780
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**1 048**	(264)	(>100)	1 154
Gains/(losses) arising during the period	**1 799**	(189)	(>100)	592
Reclassification adjustments for amounts included in profit or loss	**(484)**	(177)	>100	1 036
Deferred income tax	**(267)**	102	(>100)	(474)
FVOCI debt reserve	**220**	6	>100	(61)
Gains/(losses) arising during the period	**298**	(1)	(>100)	(91)
Reclassification adjustments for amounts included in profit or loss	**(6)**	–	–	3
Deferred income tax	**(72)**	7	(>100)	27
Exchange differences on translating foreign operations	**(4 756)**	(8)	>100	6 208
(Losses)/gains arising during the period	**(4 718)**	(4)	>100	6 170
Deferred income tax	**(38)**	(4)	>100	38
Share of other comprehensive income/(loss) of associates and joint ventures after tax and non-controlling interest	**57**	(19)	(>100)	33
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**(119)**	1	(>100)	(157)
(Losses)/gains arising during the period	**(153)**	1	(>100)	(202)
Deferred income tax	**34**	–	–	45
Remeasurements on defined benefit post-employment plans	**(26)**	(38)	(32)	532
(Losses)/gains arising during the period	**(36)**	(52)	(31)	744
Deferred income tax	**10**	14	(29)	(212)
Other comprehensive (loss)/income for the period	**(3 576)**	(322)	>100	7 709
Total comprehensive income for the period	**8 353**	14 611	(43)	26 489
Attributable to				
Ordinary equityholders	**7 679**	13 658	(44)	24 634
Other equity instrument holders	**379**	498	(24)	1 145
Equityholders of the group	**8 058**	14 156	(43)	25 779
Non-controlling interests	**295**	455	(35)	710
Total comprehensive income for the period	**8 353**	14 611	(43)	26 489

Condensed consolidated statement of financial position – IFRS

	As at 31 December		As at 30 June
R million	**2020**	2019	2020
ASSETS			
Cash and cash equivalents	**144 173**	106 537	136 002
Derivative financial instruments	**142 863**	50 625	147 515
Commodities	**20 046**	19 369	21 344
Investment securities	**361 102**	260 082	297 469
Advances	**1 222 120**	1 223 764	1 261 715
– Advances to customers	**1 152 658**	1 162 613	1 191 281
– Marketable advances	**69 462**	61 151	70 434
Other assets*	**11 141**	8 973	11 256
Current tax asset	**440**	471	598
Non-current assets and disposal groups held for sale	**802**	–	3 065
Reinsurance assets	**373**	231	240
Investments in associates	**7 202**	7 012	6 882
Investments in joint ventures	**2 125**	2 070	1 749
Property and equipment	**20 812**	21 893	21 369
Intangible assets**	**10 723**	10 493	11 638
Investment properties	**714**	689	722
Defined benefit post-employment asset	**–**	6	–
Deferred income tax asset	**5 133**	4 142	4 975
Total assets	**1 949 769**	1 716 357	1 926 539
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**17 035**	3 445	5 062
Derivative financial instruments	**145 522**	55 501	162 193
Creditors, accruals and provisions	**20 763**	19 102	21 038
Current tax liability	**1 290**	203	499
Liabilities directly associated with disposal groups held for sale	**908**	–	1 427
Deposits	**1 556 904**	1 438 588	1 535 015
Employee liabilities	**8 327**	9 440	8 820
Other liabilities	**8 611**	8 411	8 203
Policyholder liabilities	**6 583**	5 692	6 430
Tier 2 liabilities	**21 168**	24 381	24 614
Deferred income tax liability	**1 216**	1 287	1 318
Total liabilities	**1 788 327**	1 566 050	1 774 619
Equity			
Ordinary shares	**56**	56	56
Share premium	**7 968**	7 963	8 008
Reserves	**137 156**	126 704	129 465
Capital and reserves attributable to equityholders of the group	**145 180**	134 723	137 529
Other equity instruments	**11 645**	11 495	10 245
Non-controlling interests	**4 617**	4 089	4 146
Total equity	**161 442**	150 307	151 920
Total equities and liabilities	**1 949 769**	1 716 357	1 926 539

* *In the prior period these amounts were disclosed as accounts receivable. The description other assets is more appropriate based on the nature of the assets included in this line items and in line with industry practise.*

** *Includes net goodwill of R7 857 million (December 2019: R7 387 million; June 2020: R8 386 million).*

Condensed statement of cash flows – IFRS

	Six months ended 31 December		Year ended 30 June
	2020	2019	2020
Cash flows from operating activities			
Interest and fee commission receipts*	**67 554**	80 259	153 420
– Interest received	**49 494**	61 985	119 421
– Fee and commission received	**18 890**	19 216	36 244
– Insurance income received	**2 029**	2 207	3 941
– Fee and commission paid	**(2 859)**	(3 149)	(6 186)
Trading and other income	**1 365**	1 586	3 340
Interest payments	**(19 020)**	(30 725)	(57 696)
Other operating expenses	**(21 958)**	(23 750)	(45 895)
Dividends received	**1 350**	1 341	2 208
Dividends paid	**(379)**	(8 526)	(17 861)
Dividends paid to non-controlling interest	**(195)**	(541)	(736)
Taxation paid	**(4 065)**	(6 229)	(8 669)
Cash generated from operating activities	**24 652**	13 415	28 111
Movement in operating assets and liabilities	**(9 042)**	(5 418)	11 741
– Liquid assets and trading securities	**(71 123)**	(18 882)	(45 030)
– Advances	**(23 669)**	(25 647)	(17 961)
– Deposits	**87 047**	48 911	74 964
– Other assets**	**228**	10	(763)
– Creditors**	**(976)**	(2 504)	(1 357)
– Employee liabilities	**(3 438)**	(6 570)	(7 033)
– Total other liabilities#	**2 889**	(736)	8 921
– Other liabilities	**2 869**	(1 130)	7 798
– Reinsurance assets	**(133)**	(35)	(44)
– Policyholder liabilities	**153**	429	1 167
Net cash generated from operating activities	**15 610**	7 997	39 852

* *Interest and fee and commission received have been disaggregated into the material line items making up this balance. The presentation of the comparative information has been updated. The total interest and fee commission receipts as previously reported (31 December 2019: R80 259 million and June 2020: R153 420 million) has however not changed. The additional information provides users with a better understanding of the material components making up this balance.*

** *In December 2019, the movement of R2 494 million in other assets and creditors were presented as a net movement. Due to the different underlying nature of these cash flows, these items have been disclosed separately in the current period and the prior period has been expanded in a similar way to achieve appropriate comparability.*

Other liabilities have been disaggregated into the material line items making up this balance. The presentation of the comparative information has also been updated. The total movement for other liabilities as previously reported (31 December 2019: R736 million and June 2020: R8 921 million) has however not changed. The additional information provides users with a better understanding of the material components making up this balance.

Condensed statement of cash flows – IFRS continued

	Six months ended 31 December		Year ended 30 June
	2020	2019	2020
Cash flows from investing activities			
Acquisition of investments in associates	**(81)**	(495)	(551)
Proceeds on disposal of investments in associates	**–**	1	594
Acquisition of investment in joint ventures	**(45)**	(230)	(257)
Proceeds on disposal of investment in joint ventures	**–**	2	109
Acquisition of investment in subsidiaries	**–**	–	(366)
Acquisition of property and equipment	**(2 077)**	(3 728)	(5 510)
Proceeds on disposal of property and equipment	**217**	391	752
Acquisition of intangible assets and investment properties	**(179)**	(205)	(454)
Net cash outflow from investing activities	**(2 165)**	(4 264)	(5 683)
Cash flows from financing activities			
Proceeds on the issue of other liabilities	**2 188**	3 855	4 583
Redemption of other liabilities*	**(989)**	(3 516)	(5 174)
Principal payments towards lease liabilities*	**(543)**	(460)	(884)
Proceeds from issue of Tier 2 liabilities	**–**	–	275
Capital repaid on Tier 2 liabilities	**(2 289)**	(47)	(2 186)
Acquisition of additional interest in subsidiaries from non-controlling interest	**–**	(6)	(6)
Disposal of additional interest in subsidiaries to non-controlling interest	**–**	–	6
Redemption of AT1 equity instruments	**–**	–	(1 250)
Proceeds from issue of AT1 equity instruments	**1 400**	761	761
Net cash inflow from financing activities	**(233)**	587	(3 875)
Net increase in cash and cash equivalents	**13 212**	4 320	30 294
Cash and cash equivalents at the beginning of the year	**136 002**	102 518	102 518
Effect of exchange rate changes on cash and cash equivalents	**(4 775)**	(301)	3 604
Transfer to non-current assets held for sale	**(266)**	–	(414)
Cash and cash equivalents at the end of the period	**144 173**	106 537	136 002
Mandatory reserve balances included above**	**30 855**	29 955	31 193

* *Redemption of other liabilities has been disaggregated into material line items to provide users with a better understanding of the material components making up this balance, resulting in a movement of R460 million in December 2019 to principal payments towards lease liabilities. The net cash inflow from financing activities as reported at 31 December 2019 has not changed.*

** *Banks are required to deposit a minimum average balance, calculated monthly with the central bank, which is available for use by the group subject to certain restrictions and limitations levelled by the central banks within the countries of operation. The deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.*

Condensed consolidated statement of changes in equity – IFRS

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2019	56	8 023	**8 079**	(952)	841
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the period	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	(60)	**(60)**	–	–
Total comprehensive income for the period	–	–	**–**	(38)	(264)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2019	56	7 963	**8 019**	(990)	577
Balance as at 1 July 2020	56	8 008	**8 064**	(420)	1 995
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the period	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	(40)	**(40)**	–	–
Total comprehensive income for the period	–	–	**–**	(26)	1 048
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2020	56	7 968	**8 024**	(446)	3 043

* *Other reserves include the FVOCI reserve.*

** *Other equity instruments at 31 December 2020 include R4 519 million non-cumulative, non-redeemable (NCNR) preference shares and R7 126 million of AT1 instruments.*

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
1	2 366	707	118 616	**121 579**	**10 734**	**4 186**	**144 578**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**761**	**–**	**761**
–	–	23	(25)	**(2)**	**–**	**(6)**	**(8)**
–	–	–	(8 526)	**(8 526)**	**–**	**(541)**	**(9 067)**
–	–	–	–	**–**	**(498)**	**–**	**(498)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	(5)	**(5)**	**–**	**(5)**	**(10)**
–	–	–	1	**1**	**–**	**–**	**(59)**
–	(9)	(13)	13 982	**13 658**	**498**	**455**	**14 611**
(1)	–	–	–	**(1)**	**–**	**–**	**(1)**
–	2 357	717	124 043	**126 704**	**11 495**	**4 089**	**150 307**
24	8 486	790	118 590	**129 465**	**10 245**	**4 146**	**151 920**
–	–	–	–	**–**	**–**	**372**	**372**
–	–	–	–	**–**	**1 400**	**–**	**1 400**
10	–	(12)	1	**(1)**	**–**	**1**	**–**
–	–	–	–	**–**	**–**	**(195)**	**(195)**
–	–	–	–	**–**	**(379)**	**–**	**(379)**
–	–	79	(79)	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**(2)**	**(2)**
–	–	–	13	**13**	**–**	**–**	**(27)**
–	(4 631)	156	11 132	**7 679**	**379**	**295**	**8 353**
–	–	–	–	**–**	**–**	**–**	**–**
34	3 855	1 013	129 657	**137 156**	**11 645**	**4 617**	**161 442**

Statement of headline earnings – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Profit for the period (refer to page 175)	**11 929**	14 933	(20)	18 780
Other equity instrument holders	**(379)**	(498)	(24)	(1 145)
Non-controlling interests	**(418)**	(453)	(8)	(614)
Earnings attributable to ordinary equityholders	**11 132**	13 982	(20)	17 021
Adjusted for	**22**	5	>100	305
Impairment of non-private equity associates	**–**	–	–	66
Loss on disposal of investments in subsidiaries	**2**	–	>100	–
Loss on disposal of property and equipment	**2**	5	(60)	14
Fair value movement on investment properties	**7**	–	>100	(26)
Transfer from foreign currency translation reserve	**9**	–	>100	(17)
Gain on disposal of investments in joint ventures	**7**	1	>100	1
Impairment of goodwill	**–**	–	–	212
Impairment of assets in terms of IAS 36	**3**	–	>100	129
Other	**(4)**	–	(>100)	(1)
Tax effects of adjustments	**(2)**	(2)	–	(50)
Non-controlling interest adjustments	**(2)**	1	(>100)	(23)
Headline earnings	**11 154**	13 987	(20)	17 326

Reconciliation from headline to normalised earnings

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Headline earnings	**11 154**	13 987	(20)	17 326
Adjusted for	**(112)**	22	(>100)	(61)
TRS and IFRS 2 liability remeasurement*	**41**	76	(46)	77
Treasury shares**	**(96)**	(8)	>100	65
IAS 19 adjustment	**(55)**	(46)	20	(118)
Private equity-related#	**(2)**	–	–	(85)
Normalised earnings	**11 042**	14 009	(21)	17 265

* *The group uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes. The TRS is accounted for as a derivative in terms of IFRS with the fair value change recognised in NIR unless it qualifies for hedge accounting. In the current period, FirstRand's share price increased R12.98 and during the prior period decreased R5.75.*

This results in mark-to-market volatility period-on-period being included in the group's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 173.

** *Include FirstRand shares held for client trading activities.*

\# *Realisation of private equity subsidiaries net of private equity-related goodwill and other asset impairments.*

Reconciliation of normalised to IFRS condensed consolidated income statement

for the six months ended 31 December 2020

R million	**Normalised**	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	IAS 19 adjustment
Net interest income before impairment of advances	**32 017**	–	–	(503)	–
Impairment charge	**(9 414)**	–	–	–	–
Net interest income after impairment of advances	**22 603**	–	–	(503)	–
Total non-interest revenue	**22 434**	10	96	503	–
– Operational non-interest revenue	**21 841**	10	(12)	503	–
– Share of profit of associates and joint ventures after tax	**593**	–	108	–	–
Income from operations	**45 037**	10	96	–	–
Operating expenses	**(28 733)**	(8)	–	–	76
Income before indirect tax	**16 304**	2	96	–	76
Indirect tax	**(714)**	–	–	–	–
Profit before tax	**15 590**	2	96	–	76
Income tax expense	**(3 749)**	–	–	–	(21)
Profit for the period	**11 841**	2	96	–	55
Attributable to					
Other equity instrument holders	**(379)**	–	–	–	–
Non-controlling interests	**(420)**	–	–	–	–
Ordinary equityholders	**11 042**	2	96	–	55
Headline and normalised earnings adjustments	**–**	(2)	(96)	–	(55)
Normalised earnings attributable to ordinary equityholders of the group	**11 042**	–	–	–	–

* *FirstRand shares held for client trading activities.*

Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	37	**31 551**
–	–	**(9 414)**
–	37	**22 137**
(23)	94	**23 114**
(23)	94	**22 413**
–	–	**701**
(23)	131	**45 251**
(3)	(52)	**(28 720)**
(26)	79	**16 531**
–	–	**(714)**
(26)	79	**15 817**
2	(120)	**(3 888)**
(24)	(41)	**11 929**
–	–	**(379)**
2	–	**(418)**
(22)	(41)	**11 132**
22	41	**(90)**
–	–	**11 042**

Reconciliation of normalised to IFRS condensed consolidated income statement continued

for the six months ended 31 December 2019

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	IAS 19 adjustment
Net interest income before impairment of advances	31 893	–	–	(335)	–
Impairment charge	(5 934)	–	–	–	–
Net interest income after impairment of advances	25 959	–	–	(335)	–
Total non-interest revenue	22 583	32	8	335	–
– Operational non-interest revenue	22 056	32	4	335	–
– Share of profit of associates and joint ventures after tax	527	–	4	–	–
Income from operations	48 542	32	8	–	–
Operating expenses	(28 358)	(32)	–	–	64
Income before indirect tax	20 184	–	8	–	64
Indirect tax	(734)	–	–	–	–
Profit before tax	19 450	–	8	–	64
Income tax expense	(4 491)	–	–	–	(18)
Profit for the period	14 959	–	8	–	46
Attributable to					
Other equity instrument holders	(498)	–	–	–	–
Non-controlling interests	(452)	–	–	–	–
Ordinary equityholders	14 009	–	8	–	46
Headline and normalised earnings adjustments	–	–	(8)	–	(46)
Normalised earnings attributable to ordinary equityholders of the group	14 009	–	–	–	–

* *FirstRand shares held for client trading activities.*

Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	44	31 602
–	–	(5 934)
–	44	25 668
(6)	(248)	22 704
(6)	(248)	22 173
–	–	531
(6)	(204)	48 372
–	99	(28 227)
(6)	(105)	20 145
–	–	(734)
(6)	(105)	19 411
2	29	(4 478)
(4)	(76)	14 933
–	–	(498)
(1)	–	(453)
(5)	(76)	13 982
5	76	27
–	–	14 009

Reconciliation of normalised to IFRS condensed consolidated income statement continued

for the year ended 30 June 2020

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	IAS 19 adjustment
Net interest income before impairment of advances	62 851	–	–	(34)	–
Impairment charge	(24 383)	–	–	–	–
Net interest income after impairment of advances	38 468	–	–	(34)	–
Total non-interest revenue	42 454	119	(91)	34	–
– Operational non-interest revenue	42 247	119	21	34	–
– Share of profit of associates and joint ventures after tax	207	–	(112)	–	–
Income from operations	80 922	119	(91)	–	–
Operating expenses	(55 656)	3	–	–	164
Income before indirect tax	25 266	122	(91)	–	164
Indirect tax	(1 348)	–	–	–	–
Profit before tax	23 918	122	(91)	–	164
Income tax expense	(4 874)	(34)	26		(46)
Profit for the year	19 044	88	(65)	–	118
Attributable to					
Other equity instrument holders	(1 145)	–	–	–	–
Non-controlling interests	(634)	(3)	–	–	–
Ordinary equityholders	17 265	85	(65)	–	118
Headline and normalised earnings adjustments	–	(85)	65	–	(118)
Normalised earnings attributable to ordinary equityholders of the group	17 265	–	–	–	–

* *FirstRand shares held for client trading activities.*

Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	98	62 915
–	–	(24 383)
–	98	38 532
(37)	(759)	41 720
29	(759)	41 691
(66)	–	29
(37)	(661)	80 252
(341)	554	(55 276)
(378)	(107)	24 976
–	–	(1 348)
(378)	(107)	23 628
50	30	(4 848)
(328)	(77)	18 780
–	–	(1 145)
23	–	(614)
(305)	(77)	17 021
305	77	244
–	–	17 265

Reconciliation of normalised to IFRS condensed consolidated statement of financial position

as at 31 December 2020

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	144 173	–	144 173
Derivative financial instruments	142 863	–	142 863
Commodities	20 046	–	20 046
Investment securities	361 181	(79)	361 102
Advances	1 222 120	–	1 222 120
– Advances to customers	1 152 658	–	1 152 658
– Marketable advances	69 462	–	69 462
Other assets	11 141	–	11 141
Current tax asset	440	–	440
Non-current assets and disposal groups held for sale	802	–	802
Reinsurance assets	373	–	373
Investments in associates	7 202	–	7 202
Investments in joint ventures	2 080	45	2 125
Property and equipment	20 812	–	20 812
Intangible assets	10 723	–	10 723
Investment properties	714	–	714
Defined benefit post-employment asset	–	–	–
Deferred income tax asset	5 107	26	5 133
Total assets	1 949 777	(8)	1 949 769
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	17 035	–	17 035
Derivative financial instruments	145 522	–	145 522
Creditors, accruals and provisions	20 763	–	20 763
Current tax liability	1 290	–	1 290
Liabilities directly associated with disposal groups held for sale	908	–	908
Deposits	1 556 904	–	1 556 904
Employee liabilities	8 327	–	8 327
Other liabilities	8 611	–	8 611
Policyholder liabilities	6 583	–	6 583
Tier 2 liabilities	21 168	–	21 168
Deferred income tax liability	1 216	–	1 216
Total liabilities	1 788 327	–	1 788 327
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(88)	7 968
Reserves	137 076	80	137 156
Capital and reserves attributable to equityholders of the group	145 188	(8)	145 180
Other equity instruments	11 645	–	11 645
Non-controlling interests	4 617	–	4 617
Total equity	161 450	(8)	161 442
Total equities and liabilities	1 949 777	(8)	1 949 769

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS condensed consolidated statement of financial position continued

as at 31 December 2019

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	106 537	–	106 537
Derivative financial instruments	50 625	–	50 625
Commodities	19 369	–	19 369
Investment securities	260 164	(82)	260 082
Advances	1 223 764	–	1 223 764
– Advances to customers	1 162 613	–	1 162 613
– Marketable advances	61 151	–	61 151
Other assets	8 973	–	8 973
Current tax asset	471	–	471
Non-current assets and disposal groups held for sale	–	–	–
Reinsurance assets	231	–	231
Investments in associates	7 012	–	7 012
Investments in joint ventures	2 016	54	2 070
Property and equipment	21 893	–	21 893
Intangible assets	10 493	–	10 493
Investment properties	689	–	689
Defined benefit post-employment asset	6	–	6
Deferred income tax asset	4 142	–	4 142
Total assets	1 716 385	(28)	1 716 357
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	3 445	–	3 445
Derivative financial instruments	55 501	–	55 501
Creditors, accruals and provisions	19 102	–	19 102
Current tax liability	203	–	203
Liabilities directly associated with disposal groups held for sale	–	–	–
Deposits	1 438 588	–	1 438 588
Employee liabilities	9 440	–	9 440
Other liabilities	8 411	–	8 411
Policyholder liabilities	5 692	–	5 692
Tier 2 liabilities	24 381	–	24 381
Deferred income tax liability	1 287	–	1 287
Total liabilities	1 566 050	–	1 566 050
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(93)	7 963
Reserves	126 639	65	126 704
Capital and reserves attributable to equityholders of the group	134 751	(28)	134 723
Other equity instruments	11 495	–	11 495
Non-controlling interests	4 089	–	4 089
Total equity	150 335	(28)	150 307
Total equities and liabilities	1 716 385	(28)	1 716 357

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS condensed consolidated statement of financial position continued

as at 30 June 2020

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	136 002	–	136 002
Derivative financial instruments	147 515	–	147 515
Commodities	21 344	–	21 344
Investment securities	297 510	(41)	297 469
Advances	1 261 715	–	1 261 715
– Advances to customers	1 191 281	–	1 191 281
– Marketable advances	70 434	–	70 434
Other assets	11 256	–	11 256
Current tax asset	598	–	598
Non-current assets and disposal groups held for sale	3 065	–	3 065
Reinsurance assets	240	–	240
Investments in associates	6 882	–	6 882
Investments in joint ventures	1 811	(62)	1 749
Property and equipment	21 369	–	21 369
Intangible assets	11 638	–	11 638
Investment properties	722	–	722
Defined benefit post-employment asset	–	–	–
Deferred income tax asset	4 949	26	4 975
Total assets	1 926 616	(77)	1 926 539
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 062	–	5 062
Derivative financial instruments	162 193	–	162 193
Creditors, accruals and provisions	21 038	–	21 038
Current tax liability	499	–	499
Liabilities directly associated with disposal groups held for sale	1 427	–	1 427
Deposits	1 535 015	–	1 535 015
Employee liabilities	8 820	–	8 820
Other liabilities	8 203	–	8 203
Policyholder liabilities	6 430	–	6 430
Tier 2 liabilities	24 614	–	24 614
Deferred income tax liability	1 318	–	1 318
Total liabilities	1 774 619	–	1 774 619
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(48)	8 008
Reserves	129 494	(29)	129 465
Capital and reserves attributable to equityholders of the group	137 606	(77)	137 529
Other equity instruments	10 245	–	10 245
Non-controlling interests	4 146	–	4 146
Total equity	151 997	(77)	151 920
Total equities and liabilities	1 926 616	(77)	1 926 539

* *FirstRand shares held for client trading activities.*

Advances

	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Category analysis				
Overdrafts and cash management accounts	**68 205**	80 767	(16)	81 129
Term loans	**67 188**	71 832	(6)	73 658
Card loans	**33 428**	36 530	(8)	33 106
Instalment sales, hire purchase agreements and lease payments receivable	**237 485**	237 140	–	246 989
Property finance	**451 657**	430 408	5	461 876
Personal loans	**55 138**	55 755	(1)	56 658
Preference share agreements	**47 401**	50 292	(6)	48 739
Assets under agreement to resell	**56 525**	37 438	51	26 964
Investment bank term loans	**146 005**	150 363	(3)	164 792
Long-term loans to group associates and joint ventures	**2 615**	2 818	(7)	2 975
Other	**40 401**	44 832	(10)	43 775
Total customer advances	**1 206 048**	1 198 175	1	1 240 661
Marketable advances	**69 462**	61 151	14	70 434
Gross value of advances	**1 275 510**	1 259 326	1	1 311 095
Impairment and fair value of credit of advances	**(53 390)**	(35 562)	50	(49 380)
Net advances	**1 222 120**	1 223 764	–	1 261 715

NOTE 1 – IMPAIRMENT OF ADVANCES

	Six months ended at 31 December						Year ended 30 June		
	2020			2019			2020		
R million	**Total**	**Amortised cost**	**Fair value**	Total	Amortised cost	Fair value	Total	Amortised cost	Fair value
Increase in loss allowance	**(10 277)**	**(10 279)**	**2**	(6 817)	(6 819)	2	(25 750)	(25 190)	(560)
Recoveries of bad debts	**1 157**	**1 157**	**–**	1 377	1 377	–	2 374	2 374	–
Modification loss	**(294)**	**(294)**	**–**	(494)	(494)	–	(1 007)	(1 007)	–
Impairment of advances recognised in the income statement	**(9 414)**	**(9 416)**	**2**	(5 934)	(5 936)	2	(24 383)	(23 823)	(560)

Note: Refer to note 3 on pages 198 to 203 for a reconciliation of the loss allowance per class.

Advances continued

NOTE 2 – ANALYSIS OF ADVANCE PER CLASS

	As at 31 December 2020			
R million	**Total**	**Amortised cost**	**Fair value through profit or loss**	**Loss allowance**
Residential mortgages	**220 035**	**224 409**	**–**	**(4 374)**
WesBank VAF	**95 700**	**101 816**	**–**	**(6 116)**
Total retail secured	**315 735**	**326 225**	**–**	**(10 490)**
FNB card	**26 068**	**30 535**	**–**	**(4 467)**
Personal loans	**32 049**	**41 174**	**–**	**(9 125)**
Retail other	**12 518**	**16 358**	**–**	**(3 840)**
Total retail unsecured	**70 635**	**88 067**	**–**	**(17 432)**
FNB commercial	**99 510**	**105 925**	**87**	**(6 502)**
– FNB commercial excluding scheme	**98 073**	**104 394**	**87**	**(6 408)**
– Government-guaranteed scheme	**1 437**	**1 531**	**–**	**(94)**
WesBank corporate	**26 119**	**26 687**	**–**	**(568)**
RMB corporate banking	**51 486**	**52 725**	**117**	**(1 356)**
RMB investment banking	**279 978**	**198 660**	**87 119**	**(5 801)**
Total corporate and commercial	**457 093**	**383 997**	**87 323**	**(14 227)**
Rest of Africa	**58 596**	**63 107**	**269**	**(4 780)**
Group treasury and other*	**36 556**	**36 023**	**1 430**	**(897)**
UK operations	**283 505**	**289 069**	**–**	**(5 564)**
– Retail*	**220 435**	**224 537**	**–**	**(4 102)**
– Commercial	**63 070**	**64 532**	**–**	**(1 462)**
Total advances	**1 222 120**	**1 186 488**	**89 022**	**(53 390)**

* *In order to provide a full strategic overview of the total UK operations of Aldermore and MotoNovo, the above reflects the total operational MotoNovo, which include the front book written since 1 May 2019 within the Aldermore group and the back book reported in FCC. The December 2019 information has been reclassified accordingly.*

As at 31 December 2019				As at 30 June 2020			
Total	Amortised cost	Fair value through profit or loss	Loss allowance	Total	Amortised cost	Fair value through profit or loss	Loss allowance
221 254	223 979	–	(2 725)	220 488	224 404	–	(3 916)
102 405	106 705	–	(4 300)	98 153	104 014	–	(5 861)
323 659	330 684	–	(7 025)	318 641	328 418	–	(9 777)
27 134	30 098	–	(2 964)	26 009	30 210	–	(4 201)
33 416	40 796	–	(7 380)	33 177	41 874	–	(8 697)
15 312	18 214	–	(2 902)	13 593	16 732	–	(3 139)
75 862	89 108	–	(13 246)	72 779	88 816	–	(16 037)
103 311	107 372	30	(4 091)	101 888	107 889	27	(6 028)
103 311	107 372	30	(4 091)	101 591	107 544	27	(5 980)
–	–	–	–	297	345	–	(48)
29 492	29 855	–	(363)	26 608	27 114	–	(506)
59 004	59 626	102	(724)	67 242	68 318	127	(1 203)
267 433	202 292	68 494	(3 353)	275 568	211 886	68 984	(5 302)
459 240	399 145	68 626	(8 531)	471 306	415 207	69 138	(13 039)
61 537	64 775	338	(3 576)	61 747	66 070	310	(4 633)
40 615	40 609	896	(890)	35 991	35 902	988	(899)
262 851	265 145	–	(2 294)	301 251	306 246	–	(4 995)
198 559	200 162	–	(1 603)	231 076	234 529	–	(3 453)
64 292	64 983	–	(691)	70 175	71 717	–	(1 542)
1 223 764	1 189 466	69 860	(35 562)	1 261 715	1 240 659	70 436	(49 380)

Advances continued

	As at 31 December 2019			As at 31 December 2019		
	Gross advances			Loss allowance		
R million	As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
WesBank VAF*	148 725	(42 020)	106 705	5 233	(933)	4 300
FNB card**	33 498	(3 400)	30 098	3 170	(206)	2 964
Personal loans*	41 204	(408)	40 796	7 407	(27)	7 380
RMB investment banking#	270 670	116	270 786	3 353	–	3 353
Group Treasury and other**,#,†	38 221	3 284	41 505	684	206	890
UK operations – retail*	157 734	42 428	200 162	643	960	1 603

The group reclassified the following advances between classes and voluntarily elected to reclassify the comparative information.

* *All advances previously originated by MotoNovo which had been classed as retail secured and retail unsecured have been reclassified to the UK operations.*

** *Advances within Discovery card were reclassified to non-current assets held for sale and disposal groups.*

Ashburton transitioned into RMB as part of the group's evolution in the approach to client, product and operational infrastructure within its investment offering.

† *Advances related to group treasury activities included in rest of Africa.*

	As at 30 June 2020			As at 30 June 2020		
	Gross advances			Loss allowance		
	As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
	104 014	–	104 014	5 861	–	5 861
	30 210	–	30 210	4 201	–	4 201
	41 874	–	41 874	8 697	–	8 697
	280 747	123	280 870	5 302	–	5 302
	37 013	(123)	36 890	899	–	899
	234 529	–	234 529	3 453	–	3 453

Advances continued

NOTE 3 – RECONCILIATION OF THE GROSS ADVANCES AND LOSS ALLOWANCE ON TOTAL ADVANCES

	31 December 2020*				
	Gross advances (GCA)				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
Amortised cost	1 240 659	1 065 670	117 896	56 192	901
Fair value	70 436	65 843	4 405	61	127
Amount as at 1 July 2020	**1 311 095**	**1 131 513**	**122 301**	**56 253**	**1 028**
Current year movement in the back book**					
Stage 1	(110 316)	(84 286)	(25 202)	(828)	–
Transfer from stage 2 to stage 1	–	25 202	(25 202)	–	–
Transfer from stage 3 to stage 1	–	828	–	(828)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(110 316)	(110 316)	–	–	–
Stage 2	(23 983)	(48 028)	25 726	(1 681)	–
Transfer from stage 1 to stage 2	–	(48 028)	48 028	–	–
Transfer from stage 3 to stage 2	–	–	1 681	(1 681)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(23 983)	–	(23 983)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(9 022)	–	(9 022)	–	–
– Other changes in stage 2 exposures and ECL	(14 961)	–	(14 961)	–	–
Stage 3	(4 563)	(8 099)	(10 322)	13 858	–
Transfer from stage 1 to stage 3	–	(8 099)	–	8 099	–
Transfer from stage 2 to stage 3	–	–	(10 322)	10 322	–
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(4 563)	–	–	(4 563)	–
Purchased or originated credit-impaired	(182)	–	–	–	(182)
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(182)	–	–	–	(182)
New business[†]	142 181	132 603	8 502	884	192
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	142 181	132 603	8 502	884	192
Other movements applicable to new business and back book					
Acquisition/(disposal) of advances[‡]	(1 567)	(1 567)	–	–	–
Transfers (to)/from non-current assets or disposal groups held for sale	64	103	(28)	(11)	–
Modifications that did not give rise to derecognition	(294)	–	(31)	(263)	–
Exchange rate differences	(30 061)	(25 330)	(3 630)	(1 101)	–
Bad debts written off[^]	(6 864)	–	–	(6 864)	–
Amount as at 31 December 2020	**1 275 510**	**1 096 909**	**117 316**	**60 247**	**1 038**
Amortised cost	1 186 488	1 011 048	114 297	60 222	921
Fair value	89 022	85 861	3 019	25	117

31 December 2020*				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
48 447	10 943	12 961	24 543	–
933	392	411	10	120
49 380	11 335	13 372	24 553	120
(1 268)	715	(1 782)	(201)	–
–	1 782	(1 782)	–	–
–	201	–	(201)	–
(1 268)	(1 268)	–	–	–
3 087	(1 170)	4 552	(295)	–
–	(1 170)	1 170	–	–
–	–	295	(295)	–
3 087	–	3 087	–	–
630	–	630	–	–
2 457	–	2 457	–	–
7 788	(410)	(2 722)	10 920	–
–	(410)	–	410	–
–	–	(2 722)	2 722	–
7 788	–	–	7 788	–
–	–	–	–	–
–	–	–	–	–
2 332	1 435	584	313	–
2 332	1 435	584	313	–
(3)	(3)	–	–	–
(5)	5	(7)	(3)	–
–	–	–	–	–
(1 057)	(244)	(290)	(523)	–
(6 864)	–	–	(6 864)	–
53 390	11 663	13 707	27 900	120
52 483	11 322	13 247	27 890	24
907	341	460	10	96

* *The reconciliation for the period ended 31 December 2020 has been prepared using a year-to-date view. This means that the group reports exposures based on the impairment stage at the end of the reporting period. This is consistent with the prior period, except for Aldermore. The disclosure for Aldermore is now aligned with the rest of the group. From 1 July 2020, a revised approach, distinguishing between the back book and new business, was implemented as it provided more meaningful information to the user in gaining an understanding of the performance of advances overall. The current period movement is therefore split between new business and back book. In the prior period this was presented as a single line. However, comparative information could not be restated without undue cost owing to the nature of the underlying systems which collate the ECL information at a point in time, and as such the information presented in the loss allowance and gross carrying amount reconciliations will not be comparable to the information presented for 31 December 2019, except on a total level.*

** *The group transfers opening balances (the back book) at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Back book exposures can move directly from stage 3 to stage 1 if the curing requirements have been met in the reporting period. The opening balances as at 1 July are transferred to the impairment stage at 31 December in the transfers section, and the current period movements in the back book (changes in exposure and net movement on gross carrying amount (GCA) and ECL provided/(released)), are reflected separately, in the reconciliation. The current period movement for stage 2 advances is split between exposure, where there has been a change in the measurement basis from 12 months to lifetime ECL, and changes in other risk parameters.*

[#] *The movement on GCA is the net amount of:*

- *additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately; and*
- *new business originated during the financial period, the transfers between stages of the new origination, and any settlements.*

Current period ECL provided/(released) relates to:

- *an increase/(decrease) in the carrying amount of the back book during the current period, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and*
- *includes interest on stage 3 advances for stage 3 exposures in the back book and new business. In the prior period it was separately presented.*

[†] *New business is broadly defined as any new product issued to a new or existing customer during the current financial period, including any increase or decrease during the period. All new business is included in the change in exposure due to new business in the current period, based on the exposures' impairment stage at the end of the reporting period. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.*

[‡] *In the prior period, this line included disposals by RMB related to loan syndications whereby the full exposure was recognised in new business and changes in exposure, and the sell-down to other external parties recognised as disposals. During the current period the net amount of the syndication is included in the 'net movement of GCA due to new business in the current period' section. Management believes this provides a more accurate view of the new business originated in the current period.*

[^] *Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off.*

Advances continued

NOTE 3 – RECONCILIATION OF THE GROSS ADVANCES AND LOSS ALLOWANCE ON TOTAL ADVANCES continued

	31 December 2019				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment*
Amortised cost	1 159 642	1 033 119	85 547	40 976	–
Fair value	80 272	79 100	799	268	105
Amount as at 1 July 2019	1 239 914	1 112 219	86 346	41 244	105
Transfer between stages**	–	(16 330)	2 162	14 168	–
Stage 1	–	36 448	(35 737)	(711)	–
Stage 2	–	(46 107)	47 215	(1 108)	–
Stage 3	–	(6 671)	(9 316)	15 987	–
Disposal of advances#	(1 116)	(870)	–	(246)	–
Exchange rate differences	4 823	4 363	516	(56)	–
Bad debts written off†	(6 411)	–	–	(6 411)	–
Changes due to modification that did not result in derecognition	(494)	–	(58)	(436)	–
Current period provision created/(released)	–	–	–	–	–
Net changes in exposure‡	22 610	30 360	(4 417)	(3 525)	192
Interest on stage 3 advances	–	–	–	–	–
Amount as at 31 December 2019	1 259 326	1 129 742	84 549	44 738	297
Amortised cost	1 189 466	1 061 241	83 541	44 489	195
Fair value	69 860	68 501	1 008	249	102

* *The total gross carrying amount of undiscounted expected credit losses at initial recognition on purchased or originated credit impaired financial assets recognised during the reporting period is Rnil.*

** *Transfers between stages reflect opening balances based on the advances stage at the end of the financial period for all businesses other than Aldermore. Exposures can be transferred directly from stage 3 to stage 1 if the curing requirements are satisfied at the end of the financial period. The new exposures originated during the financial period (which are not included in the opening balance), and any other change in the advance balance not addressed in one of the specific reconciliation lines, are included in net new business and changes in exposure based on the stage at the end of the financial period.*

Most disposals relate to RMB and are due to loan syndications whereby the full exposure is recognised in new business, and changes in exposure and the sell-down to other external parties are recognised as disposals.

† *Decrease in the advance as a result of write-off is equal to the decrease ECL as exposures are 100% provided for before being written off.*

‡ *Net changes in exposure reflect the net of the following items:*

- *Net settlements and other changes in exposures of advances included in the opening balance, which occurred during the financial period.*
- *New business originated during the financial period and the transfers between stages of the new origination.*

31 December 2019				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
33 614	7 614	7 702	18 298	–
548	302	49	197	–
34 162	7 916	7 751	18 495	–
–	744	(2 212)	1 468	–
–	1 512	(1 376)	(136)	–
–	(541)	794	(253)	–
–	(227)	(1 630)	1 857	–
(92)	(2)	–	(90)	–
(39)	(8)	11	(42)	–
(6 411)	–	–	(6 411)	–
–	–	–	–	–
6 817	(1 146)	2 703	5 260	–
–	–	–	–	–
1 125	–	–	1 125	–
35 562	7 504	8 253	19 805	–
35 017	7 239	8 169	19 609	–
545	265	84	196	–

Advances continued

NOTE 3 – RECONCILIATION OF THE GROSS ADVANCES AND LOSS ALLOWANCE ON TOTAL ADVANCES continued

	30 June 2020*				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
Amortised cost	1 159 642	1 033 119	85 547	40 976	–
Fair value	80 272	79 100	799	268	105
Amount as at 1 July 2019	1 239 914	1 112 219	86 346	41 244	105
Current year movement in the back book**					
Stage 1	(238 154)	(214 475)	(22 832)	(847)	–
Transfer from stage 2 to stage 1	–	22 832	(22 832)	–	–
Transfer from stage 3 to stage 1	–	847	–	(847)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(238 154)	(238 154)	–	–	–
Stage 2	(18 804)	(60 473)	44 303	(2 634)	–
Transfer from stage 1 to stage 2	–	(60 473)	60 473	–	–
Transfer from stage 3 to stage 2	–	–	2 634	(2 634)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(18 804)	–	(18 804)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(1 434)	–	(1 434)	–	–
– Other changes in stage 2 exposures and ECL	(17 370)	–	(17 370)	–	–
Stage 3	(2 409)	(16 267)	(13 063)	26 921	–
Transfer from stage 1 to stage 3	–	(16 267)	–	16 267	–
Transfer from stage 2 to stage 3	–	–	(13 063)	13 063	–
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(2 409)	–	–	(2 409)	–
Purchased or originated credit-impaired	22	–	–	–	22
Current year change in exposure and net movement on GCA and ECL provided/(released)#	22	–	–	–	22
New business†	292 001	264 750	20 640	5 710	901
Current year change in exposure and net movement on GCA and ECL provided/(released)#	292 001	264 750	20 640	5 710	901
Other movements applicable to new business and back book					
Acquisition/(disposal) of advances‡	(2 832)	(2 586)	–	(246)	–
Acquisition/(disposal) of subsidiaries	1 608	1 608	–	–	–
Transfers (to)/from non-current assets or disposal groups held for sale	(2 646)	(2 150)	(259)	(237)	–
Modifications that did not give rise to derecognition	(1 007)	(189)	(121)	(697)	–
Exchange rate differences	57 764	49 076	7 287	1 401	–
Bad debts written off^	(14 362)	–	–	(14 362)	–
Amount as at 30 June 2020	1 311 095	1 131 513	122 301	56 253	1 028
Amortised cost	1 240 659	1 065 670	117 896	56 192	901
Fair value	70 436	65 843	4 405	61	127

30 June 2020				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
33 614	7 614	7 702	18 298	–
548	302	49	197	–
34 162	7 916	7 751	18 495	–
(391)	1 193	(1 422)	(162)	–
–	1 422	(1 422)	–	–
–	162	–	(162)	–
(391)	(391)	–	–	–
5 433	(615)	6 720	(672)	–
–	(615)	615	–	–
–	–	672	(672)	–
5 433	–	5 433	–	–
1 990	–	1 990	–	–
3 443	–	3 443	–	–
15 277	(470)	(2 103)	17 850	–
–	(470)	–	470	–
–	–	(2 103)	2 103	–
15 277	–	–	15 277	–
120	–	–	–	120
120	–	–	–	120
8 436	3 052	2 210	3 174	–
8 436	3 052	2 210	3 174	–
(100)	(10)	–	(90)	–
–	–	–	–	–
(265)	(36)	(54)	(175)	–
–	–	–	–	–
1 070	305	270	495	–
(14 362)	–	–	(14 362)	–
49 380	11 335	13 372	24 553	120
48 447	10 943	12 961	24 543	–
933	392	411	10	120

* *The reconciliation for the period ended 30 June 2020 has been prepared using a year-to-date view. This means that the group reports exposures based on the impairment stage at the end of the reporting period. This is consistent with the prior year except for Aldermore. The disclosure for Aldermore is now aligned with the rest of the group. From 1 July 2020, a revised approach, distinguishing between the back book and new business, was implemented as it provided more meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement is therefore split between new business and back book. In the prior year this was presented as a single line. However, comparative information could not be restated without undue cost owing to the nature of the underlying systems which collate the ECL information at a point in time, and as such the information presented in the loss allowance and gross carrying amount reconciliations will not be comparable to the information presented for 30 June 2019, except on a total level.*

** *The group transfers opening balances (the back book) at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Back book exposures can move directly from stage 3 to stage 1 if the curing requirements have been met in the reporting period. The opening balances as at 1 July are transferred to the impairment stage at 30 June in the transfers section, and the current period movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released)) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure, where there has been a change in the measurement basis from 12 months to lifetime ECL, and changes in other risk parameters.*

[#] *The movement on GCA is the net amount of:*

- *additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately; and*
- *new business originated during the financial year, the transfers between stages of the new origination, and any settlements.*

Current year ECL provided/(released) relates to:

- *an increase/(decrease) in the carrying amount of the back book during the current year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and*
- *includes interest on stage 3 advances for stage 3 exposures in the back book and new business. In the prior year it was separately presented.*

[†] *New business is broadly defined as any new product issued to a new or existing customer during the current financial year, including any increase or decrease during the year. All new business is included in the change in exposure due to new business in the current year, based on the exposures' impairment stage at the end of the reporting year. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.*

[‡] *In the prior year, this line included disposals by RMB related to loan syndications whereby the full exposure was recognised in new business and changes in exposure, and the sell-down to other external parties recognised as disposals. During the current year the net amount of the syndication is included in the 'net movement of GCA due to new business in the current year' section. Management believes this provides a more accurate view of the new business originated in the current year.*

[^] *Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R12 935 million.*

Advances continued

NOTE 4 – RECONCILIATION OF THE LOSS ALLOWANCE ON TOTAL ADVANCES PER CLASS

AMORTISED COST

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2020	**3 916**	**5 861**	**4 201**	**8 697**	**3 139**
Stage 1	731	575	917	1 812	782
Stage 2	777	1 308	562	1 653	701
Stage 3	2 408	3 978	2 722	5 232	1 656
Disposal of advances	–	–	–	–	–
Transfers from/(to) non-current assets or disposal groups held for sale	–	–	–	–	–
Exchange rate differences	–	–	–	–	–
Bad debts written off	(138)	(1 006)	(849)	(2 358)	(919)
Current period provision created/(released)*	596	1 261	1 115	2 786	1 620
– Stage 1	(38)	(179)	(63)	(64)	596
– Stage 2	448	282	442	805	120
– Stage 3	186	1 158	736	2 045	904
Amount as at 31 December 2020	**4 374**	**6 116**	**4 467**	**9 125**	**3 840**
Stage 1	669	542	939	1 566	1 291
Stage 2	1 108	1 244	639	1 931	749
Stage 3	2 597	4 330	2 889	5 628	1 800

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1 or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial period and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward-looking macroeconomic information.*

FAIR VALUE

	Corporate and commercial			
R million	RMB corporate banking	RMB investment banking	Group Treasury and other	Total fair value
Amount as at 1 July 2020	**120**	**568**	**245**	**933**
Stage 1	–	147	245	392
Stage 2	–	411	–	411
Stage 3	120	10	–	130
Exchange rate differences	–	(24)	–	(24)
Current period provision created/(released)	(24)	5	17	(2)
– Stage 1	–	(82)	12	(70)
– Stage 2	–	87	5	92
– Stage 3	(24)	–	–	(24)
Amount as at 31 December 2020	**96**	**549**	**262**	**907**
Stage 1	–	84	257	341
Stage 2	–	455	5	460
Stage 3	96	10	–	106

Corporate and commercial						UK operations		
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Retail	Commercial	Total amortised cost
6 028	506	1 083	4 734	4 633	654	3 453	1 542	48 447
1 394	114	323	1 288	1 007	320	1 116	564	10 943
1 339	111	647	3 111	981	152	1 148	471	12 961
3 295	281	113	335	2 645	182	1 189	507	24 543
–	–	–	(3)	–	–	–	–	(3)
–	–	–	–	(5)	–	–	–	(5)
–	–	(18)	(188)	(433)	–	(283)	(111)	(1 033)
(730)	(42)	–	42	(340)	(44)	(269)	(211)	(6 864)
1 204	104	195	667	925	25	1 201	242	11 941
(321)	(21)	(78)	460	67	6	76	(206)	235
744	(5)	228	(90)	373	2	208	23	3 580
781	130	45	297	485	17	917	425	8 126
6 502	568	1 260	5 252	4 780	635	4 102	1 462	52 483
1 500	102	201	1 693	1 035	327	1 078	379	11 322
1 464	72	904	2 210	1 189	154	1 192	391	13 247
3 538	394	155	1 349	2 556	154	1 832	692	27 914

Advances continued

NOTE 4 – RECONCILIATION OF THE LOSS ALLOWANCE ON TOTAL ADVANCES PER CLASS continued

AMORTISED COST

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2019	2 541	4 356	2 650	6 815	2 725
Stage 1	360	632	555	1 415	724
Stage 2	510	1 307	347	971	464
Stage 3	1 671	2 417	1 748	4 429	1 537
Transfer between classes	(1)	–	–	–	(1)
Disposal of advances	–	–	–	(90)	–
Exchange rate differences	–	–	–	–	–
Bad debts written off	(124)	(969)	(669)	(1 656)	(850)
Current period provision created/(released)*	279	791	913	1 931	834
– Stage 1	(126)	(364)	28	(300)	(31)
– Stage 2	264	562	274	660	286
– Stage 3	141	593	611	1 571	579
Interest on stage 3 advances	30	122	70	380	194
Amount as at 31 December 2019	2 725	4 300	2 964	7 380	2 902
Stage 1	376	575	607	1 135	754
Stage 2	585	1 321	376	1 240	520
Stage 3	1 764	2 404	1 981	5 005	1 628

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1 or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial period and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward-looking macroeconomic information.*

FAIR VALUE

	Corporate and commercial			
R million	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value
Amount as at 1 July 2019	368	2	178	548
Stage 1	124	2	176	302
Stage 2	47	–	2	49
Stage 3	197	–	–	197
Current period provision created/(released)	2	–	(5)	(3)
– Stage 1	(30)	–	(5)	(35)
– Stage 2	32	–	–	32
– Stage 3	–	–	–	–
Amount as at 31 December 2019	370	2	173	545
Stage 1	90	2	173	265
Stage 2	84	–	–	84
Stage 3	196	–	–	196

Corporate and commercial						UK operations		
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Retail	Commercial	Total amortised cost
3 812	338	688	2 865	3 961	770	1 511	582	33 614
733	92	231	924	805	398	532	213	7 614
776	67	364	1 419	804	186	378	109	7 702
2 303	179	93	522	2 352	186	601	260	18 298
–	(12)	–	(1)	–	5	10	–	–
–	–	–	(2)	–	–	–	–	(92)
–	–	(4)	–	(84)	–	36	13	(39)
(507)	(58)	–	–	(874)	(115)	(442)	(147)	(6 411)
624	85	30	113	470	57	459	234	6 820
(183)	(13)	(31)	(25)	(116)	1	(18)	67	(1 111)
301	29	66	6	84	(57)	91	105	2 671
506	69	(5)	132	502	113	386	62	5 260
162	10	10	8	101	–	29	9	1 125
4 091	363	724	2 983	3 574	717	1 603	691	35 017
704	108	207	911	696	400	542	224	7 239
699	66	314	1 500	867	131	395	155	8 169
2 688	189	203	572	2 011	186	666	312	19 609

Advances continued

NOTE 4 – RECONCILIATION OF THE LOSS ALLOWANCE ON TOTAL ADVANCES PER CLASS continued

AMORTISED COST

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2019	2 541	4 356	2 650	6 815	2 725
Stage 1	360	632	555	1 415	724
Stage 2	510	1 307	347	971	464
Stage 3	1 671	2 417	1 748	4 429	1 537
Disposal of advances	–	–	–	(90)	–
Transfers from/(to) non-current assets or disposal groups held for sale	–	–	–	–	–
Exchange rate differences	–	–	–	–	–
Bad debts written off	(259)	(1 907)	(1 114)	(4 351)	(1 754)
Current period provision created/(released)*	1 634	3 412	2 665	6 323	2 168
– Stage 1	275	(265)	349	627	(13)
– Stage 2	423	564	458	966	415
– Stage 3	936	3 113	1 858	4 730	1 766
Amount as at 30 June 2020	3 916	5 861	4 201	8 697	3 139
Stage 1	731	575	917	1 812	782
Stage 2	777	1 308	562	1 653	701
Stage 3	2 408	3 978	2 722	5 232	1 656

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1 or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial year and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward-looking macroeconomic information.*

FAIR VALUE

	Corporate and commercial				
R million	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value
Amount as at 1 July 2019	–	368	2	178	548
Stage 1	–	124	2	176	302
Stage 2	–	47	–	2	49
Stage 3	–	197	–	–	197
Exchange rate differences	–	19	–	–	19
Bad debts written off	–	(194)	–	–	(194)
Current period provision created/(released)	120	375	(2)	67	560
– Stage 1	–	46	(2)	67	111
– Stage 2	–	320	–	–	320
– Stage 3	120	9	–	–	129
Amount as at 30 June 2020	120	568	–	245	933
Stage 1	–	147	–	245	392
Stage 2	–	411	–	–	411
Stage 3	120	10	–	–	130

Corporate and commercial				Rest of Africa	Group Treasury and other	UK operations		Total amortised cost
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking			Retail	Commercial	
3 812	338	688	2 865	3 961	770	1 511	582	33 614
733	92	231	924	805	398	532	213	7 614
776	67	364	1 419	804	186	378	109	7 702
2 303	179	93	522	2 352	186	601	260	18 298
–	–	–	(10)	–	–	–	–	(100)
–	–	–	–	(223)	(42)	–	–	(265)
–	–	10	113	208	–	504	216	1 051
(1 286)	(114)	(141)	(572)	(1 282)	(196)	(842)	(350)	(14 168)
3 502	282	526	2 338	1 969	122	2 280	1 094	28 315
489	10	71	151	212	(58)	453	249	2 550
1 070	64	347	1 803	182	(14)	699	346	7 323
1 943	208	108	384	1 575	194	1 128	499	18 442
6 028	506	1 083	4 734	4 633	654	3 453	1 542	48 447
1 394	114	323	1 288	1 007	320	1 116	564	10 943
1 339	111	647	3 111	981	152	1 148	471	12 961
3 295	281	113	335	2 645	182	1 189	507	24 543

Significant estimates, judgements and assumptions relating to the impairment of advances

FORWARD-LOOKING INFORMATION

Forward-looking information has been incorporated into the expected loss estimates through the application of quantitative modelling and expert judgement-based adjustments. The process of incorporating the forward-looking information into the expected loss estimates has not changed since 30 June 2020, but there have been changes to the probabilities assigned to the scenarios and the inputs used.

The table below sets out the scenarios and the probabilities assigned to each scenario at 31 December 2020 for the group's South African and Africa operations. During the period to 31 December 2020 the probabilities assigned to the macro scenarios were adjusted slightly towards the baseline and upside regimes. These adjustments were made to cater for the change in the perceived balance of risk to the domestic economy resulting from the effectiveness of global policy measures to support the global economy, and the effectiveness of domestic policy measures both to contain the spread of COVID-19 and to manage the economic impact of the pandemic.

Significant macroeconomic uncertainty remains with regards to the second and third waves of COVID-19 infections and consequential lockdowns. It remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy substantially weakened which remains a key risk to the macroeconomic outlook.

SCENARIO	PROBABILITY	DESCRIPTION
Baseline regime	57% (30 June 2020: 56%)	Assumes that global growth begins to normalise in 2021 after the significant contractions experienced in 2020. Developed market (DM) inflation remains benign and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant contraction in economic activity and inflation remains low. The outlook is characterised by ongoing income weakness and policy uncertainty.
Upside regime	16% (30 June 2020: 12%)	Assumes that global growth experiences a significant contraction in 2020 before recovering strongly towards the end of 2021. DM inflation falls lower, and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity and inflation remains low. After the initial shock, policy certainty is restored and confidence-boosting economic reforms are implemented.
Downside regime	27% (30 June 2020: 32%)	Assumes the significant global growth contraction in 2020 results in long-term damage to global supply chains and weaker long-term global economic activity. DM inflation falls and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity, which is compounded by policy mistakes and extremely low confidence, which prevent the economy from recovering from the COVID-19 induced shock.

Aldermore, including MotoNovo, uses an external firm specialising in economic forecasting to provide forward-looking macroeconomic information. The table, which represents the group's UK operation, sets out the scenarios and the probabilities assigned to each scenario at 31 December 2020:

SCENARIO	PROBABILITY
Severe downside	25% (30 June 2020: 15%)
Downside	10% (30 June 2020: 10%)
Stagnation	10% (30 June 2020: 10%)
Base	45% (30 June 2020: 45%)
Mild upside	10% (30 June 2020: 10%)
Upside	0% (30 June 2020: 10%)

Overview of forward-looking information included in the 31 December 2020 provisions

Following the initial COVID-19-induced economic shocks, the global economy suffered a significant contraction in gross domestic product (GDP) in 2020, which is expected to be followed by a weak recovery in 2021. This shock resulted in low inflation which is expected to begin picking up in 2021. The large and coordinated fiscal and monetary policy support that has been provided by global central banks and governments should continue to help stabilise financial conditions. At the same time, the social distancing and lockdown regulations have helped a broad base of countries to control and contain the spread of COVID-19 in populations. Combined with the expected roll-out of vaccination programmes in 2021 this should allow more people to return to work, which will lift both supply and demand in the global economy. However, it remains clear that the battle against COVID-19 will persist well into 2021, as governments attempt to roll-out vaccination programmes to their populations, with varying degrees of success. The global economy is only expected to start benefiting from a more synchronised upswing towards the end of 2021, given how the virus and policy responses thereto are playing out across the world. As such, although more stable, risk appetite is expected to remain relatively subdued, especially for emerging market risk assets, although demand for commodities should begin to lift in 2021. A vast number of economies have been forced to lift their debt levels considerably in order to combat the virus, which will leave the global economy with a long-term debt overhang. This remains an important risk to the outlook.

South Africa

After an initial and severe contraction in GDP in the first half of 2020, the gradual recovery in global demand is expected to support South Africa's export sectors into 2021. This will help the economy to lift GDP slightly off a low base. Looking ahead, already weak domestic demand and income growth is expected to be further amplified by the COVID-19 crisis, which should continue to contain inflation pressures. With inflation contained and global interest rates low, the SARB is expected to maintain an accommodative policy stance through the forecast horizon of three years.

Notwithstanding the support provided by the SARB, the impact of COVID-19 remains extremely deep, with ongoing uncertainty about the risk of further waves of infection. Government is expected to continue with a focused approach to lockdown and social distancing measures at a regional and industry level, where restrictions will be tightened within specific industries, individual businesses or geographic areas depending on the spread of the virus. These assumptions have been introduced into the forward-looking macroeconomic information and tie directly into the group's GDP growth forecast. It remains evident that the loss of economic activity, tax revenue, and household and corporate income as a result of the virus has left the economy substantially weakened, which remains a key risk to the outlook.

United Kingdom

The outlook for the UK economy has been revised down, reflecting further nationwide lockdown measures imposed since 30 June 2020. Output is expected to contract again in Q4 2020 as retail and catering activities had to shut. However, compared to Q2 2020, the expected decline in output is much more modest, reflecting the shorter announced duration of lockdown and with more activities allowed to continue operating. A higher peak in the unemployment rate is expected in 2021 along with a larger decline in the house price index. This reflects greater short-term damage from lockdown despite the unprecedented policy support implemented during this crisis. With long-term potential output lower, household incomes and employment are to recover more slowly. Correspondingly the unemployment rate is forecast to remain higher throughout the forecast period of three years.

Other Africa

General

The outlook for the rest of Africa portfolio has come under particular pressure among the SACU countries, which all are heavy reliant on activity in South Africa. Without exception, the real economies in these countries are extremely weak, with increased fiscal risk becoming an important driver of their medium-term outlook.

A second important theme to note for the rest of Africa portfolio is the negative implications that the fall in the oil price will have for the oil and gas producing economies of Nigeria, Ghana and Mozambique. This will add a further measure of fiscal and foreign exchange weakness to the domestic economic outlook, although the oil price is expected to recover into 2021.

Significant estimates, judgements and assumptions relating to the impairment of advances continued

Namibia

The Namibian economy has been in a slump since 2016, with GDP growth lagging far behind population growth. The COVID-19 pandemic and associated lockdown measures are expected to exacerbate this existing contraction in GDP growth. While domestic economic activities have been allowed to resume since May 2020, the economy still faces a number of COVID-19-related pressures. Firstly, a global slowdown and falling external demand weighed on exports and export-dependent industries. Secondly, domestic demand is unlikely to rebound to significantly higher levels as consumer and investor confidence remains low due to the uncertainties surrounding COVID-19 in an already weak economic environment. Finally, government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully.

Inflation is expected to remain low due to low domestic demand, with some upward pressure arising in 2021 through expected higher global oil prices. Similar to South Africa, interest rates are expected to remain low given the low global interest rate environment and low inflation.

Botswana

Botswana experienced a significant contraction in GDP in 2020, which is expected to be followed by a weak recovery in 2021. Weaker global demand resulted in lower global diamond prices and weaker local production. At the same time the tourism sector will continue to be severely affected by the pandemic, with travel bans limiting anticipated growth within the local hospitality and aviation industries. Botswana's trade sector, which has been a key driver of growth in recent years, is also expected to contract significantly as a result of disruptions in global trade patterns due to lockdown measures implemented globally. The spill-over effect of these disruptions will be evident in manufacturing and construction, as local businesses continue to face difficulties procuring critical inputs for their production processes.

In order to mitigate the impact of COVID-19 on the economy, the government drafted an economic recovery and transformation plan aimed at supporting businesses and the economy through this pandemic. The fiscal package proposes several interventions and projects that span most industries with the hope of transforming Botswana from a mineral-led, public sector-dominated economy to a more diversified, export-oriented economy. Although Botswana has the fiscal resources to embark on such a plan, there have been challenges with the implementation of development plans in the past, and as such the group's baseline view assumes only partial success. Given the expected weakness in consumer demand and GDP growth, inflation is expected to remain low. This, together with lower global oil prices, low global inflation and low global interest rates, is expected to allow the central bank to maintain low interest rates through the forecast horizon.

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information used in determining the ECL provisions. The information is forecast over a period of three years, per major economic region that the group operates in.

SIGNIFICANT MACROECONOMIC FACTORS AT 31 DECEMBER 2020

South Africa (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Applicable across all portfolios									
Real GDP growth	5.5	4.0	4.0	3.2	0.8	1.0	(1.8)	0.0	0.0
CPI inflation	3.0	3.0	3.0	3.8	4.5	4.9	4.7	7.1	7.6
Repo rate	2.8	2.8	2.8	3.3	3.3	3.3	6.3	6.5	6.5
Retail specific									
Real income growth	4.0	4.7	4.9	1.9	0.5	0.5	(0.2)	(0.1)	(0.3)
House price index growth*	16.8	17.8	16.8	(6.7)	3.3	3.1	(10.6)	(10.1)	(8.3)
Household debt income ratio	77.1	77.1	77.1	77.1	77.1	77.1	77.1	77.1	77.1
Employment growth	1.7	1.2	1.2	1.8	0.2	0.3	(0.4)	(1.9)	(1.7)
Wholesale specific									
Fixed capital formation	5.9	10.8	12.0	2.5	1.6	2.3	(13)	1.3	0.7
Foreign exchange rate (USD/ZAR)	12.0	11.9	12.0	15.5	16.2	17	18.2	21.4	22

* *Applicable to the secured portfolio.*

UK (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Real GDP growth	9.1	5.4	2.0	6.2	6.3	2.3	(1.2)	6.0	2.5
Real household disposable income growth*	(0.1)	2.8	1.8	(0.8)	3.4	1.9	(3.7)	3.9	0.6
House price index growth**	(6.1)	4.5	9.1	(8.1)	(0.4)	5.1	(20.1)	(12.6)	(4.6)
Employment growth	(3.6)	1.2	1.1	(4.8)	1.3	1.7	(6.9)	0.3	1.6
Bank of England base rate	0.5	1.1	1.3	0.1	0.1	0.1	(0.3)	(0.5)	(0.5)

* *At 30 June 2020, CPI inflation was included as a significant macroeconomic factor, but was replaced by real household disposal income growth at 31 December.*

** *Applicable to the secured portfolio.*

Significant estimates, judgements and assumptions relating to the impairment of advances continued

Other Africa

Namibia (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Real GDP growth	1.00	2.00	3.00	0.60	1.70	2.40	(4.00)	(2.00)	(1.00)
CPI inflation	3.00	3.00	3.00	3.40	3.60	4.30	5.35	6.50	7.00
Repo rate	2.75	2.75	2.75	3.25	3.25	3.25	6.25	6.50	6.50

Botswana (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Real GDP growth	(4.60)	5.20	6.00	4.50	3.40	3.70	0.00	0.50	1.20
CPI inflation	2.00	2.20	2.20	2.50	3.15	3.20	3.90	5.65	5.60
Repo rate	3.25	3.00	3.00	3.50	3.50	3.50	5.00	5.75	6.00

SIGNIFICANT MACROECONOMIC FACTORS AT 30 JUNE 2020

South Africa (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Applicable across all portfolios									
Real GDP growth	(0.6)	4.2	4.0	(0.6)	2.4	0.9	(2.0)	0.0	0.0
CPI inflation	3.3	3.0	3.0	3.0	3.8	4.5	4.7	5.9	7.6
Repo rate	2.8	2.8	2.8	3.3	3.3	3.3	6.0	6.3	6.5
Retail specific									
Retail consumption growth	1.0	4.2	4.9	(1.8)	1.6	0.4	(0.9)	(0.2)	(0.3)
House price index growth*	6.3	17.9	17.8	(1.0)	6.4	3.8	(12.5)	(8.3)	(10.1)
Household debt to disposable income	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5
Employment growth	(0.2)	1.3	1.2	(0.2)	0.7	(0.3)	(2.2)	(1.3)	(1.7)
Wholesale specific									
Fixed capital formation	1.8	9.1	12.0	(12.3)	1.0	(1.0)	(2.1)	(1.9)	(1.6)
Foreign exchange rate (USD/ZAR)	12.3	11.8	12.0	15.4	15.9	16.7	17.3	19.7	22.0

* *Applicable to the secured portfolio.*

UK (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Real GDP growth	9.1	5.4	2.0	6.2	6.3	2.3	(1.2)	6.0	2.5
Real household disposable income growth*	(0.1)	2.8	1.8	(0.8)	3.4	1.9	(3.7)	3.9	0.6
House price index growth**	(6.1)	4.5	9.1	(8.1)	(0.4)	5.1	(20.1)	(12.6)	(4.6)
Employment growth	(3.6)	1.24	1.05	(4.8)	1.3	1.7	(6.9)	0.3	1.6
Bank of England base rate	0.5	1.1	1.3	0.1	0.1	0.1	(0.3)	(0.5)	(0.5)

* *At 30 June 2020, CPI inflation was included as a significant macroeconomic factor, but was replaced by real household disposable income growth at 31 December.*

** *Applicable to the secured portfolio.*

Other Africa

Namibia (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	–	1.50	2.50	(3.70)	1.20	1.70	(6.50)	(3.00)	(1.50)
CPI inflation	2.75	3.00	3.00	3.00	3.50	4.00	4.90	5.92	6.75
Repo rate	3.00	2.75	2.75	3.50	3.50	3.50	6.00	6.25	6.50

Botswana (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	(0.30)	4.90	6.00	(2.10)	3.30	3.50	(6.91)	0.25	0.85
CPI inflation	2.00	2.20	2.20	2.20	3.10	3.20	3.35	4.78	5.63
Repo rate	3.25	3.25	3.00	3.50	3.50	3.50	4.50	5.25	6.00

Fair value measurements

VALUATION METHODOLOGY

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation as well as any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each operating business and at an overall group level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

Fair value measurements are determined by the group on both a recurring and non-recurring basis.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include:

- the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where the standard requires that the asset be held at the lower of its carrying amount and its fair value less costs to sell; and
- IAS 36 where the recoverable amount is based on the fair value less costs to sell.

These fair value measurements are determined on a case-by-case basis as they occur within each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (e.g. in a dealer market), the group uses a price within the bid-ask spread that is most representative of fair value in the circumstances.

Where the group has a financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included on page 234, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. Fair value may be determined using unadjusted quoted prices in active markets for identical assets or liabilities, where this is readily available, and the price represents actual and regularly occurring market transactions. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Where a valuation model is applied and the group cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. In assessing whether a mark-to-model valuation is appropriate, the group will consider whether:

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- an in-house-developed model is based on appropriate assumptions which have been assessed and challenged by suitably qualified parties independent of the development process;
- formal change control procedures are in place;
- awareness exists of the weaknesses of the models used, which is appropriately reflected in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation. The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Measurement of assets and liabilities at level 2

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as level 2.

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents.	Market interest rate curves, credit and currency basis curves
Options	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate, spot or forward rate, and the volatility of the underlying
Forwards	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market-projected forward value.	Spot price of underlying instrument, market interest rate curves and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rate curves, volatilities, dividends and share prices
ADVANCES TO CUSTOMERS			
Other advances	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. In the event that credit spreads for a counterparty are observable or are an insignificant input, advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rate curves

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rate curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place, in which case level 2 classifications are used.	Market transactions
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rate curves
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rate curves
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES continued			
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate of the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rate curves
Investments in funds and unit trusts	Third-party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are listed, third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.	Market transactions (listed)
DEPOSITS			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rate curves and foreign exchange rates
Other deposits	Discounted cash flows	The forward curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rate curves or performance of underlying

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplied by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rate curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the group for recurring fair value measurements of assets and liabilities categorised as level 3.

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
DERIVATIVE FINANCIAL INSTRUMENTS			
Option	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
ADVANCES TO CUSTOMERS			
Investment banking book	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market-related interest rate, adjusted for credit inputs.	Credit inputs

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
ADVANCES TO CUSTOMERS continued			
Other advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the case where the fair value of the credit is not significant year-on-year but may become significant in future and where the South African counterparties do not have actively traded or observable credit spreads, the group classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Credit inputs
Advances under repurchase agreements	Discounted cash flows	The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong-way risk is incorporated by factoring in the correlation between the foreign exchange rate and the default risk of the counterparty, as well as the default risk of the sovereign entity.	Credit input and market risk correlation factors
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities, and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates.	Unobservable P/E ratios
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES **continued**			
Investments in funds and unit trusts	Third-party valuations	In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified them as level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations.	Third-party valuations used, minority and marketability adjustments
Investment properties	Discounted cash flows	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on a discounted cash flow model which is the sum of the present values of a stream of cash flows into the future with an appropriate exit or terminal value. Considerations related to above and below market rentals, fluctuating expenses and general property risk are factored into the model. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. Professional valuations are performed every two years and are reviewed internally by management. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.	Expected rentals, capitalisation and exit/ terminal rates

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
DEPOSITS			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs, market risk and correlation factors
Other liabilities	Discounted cash flows	For preference shares which require the group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required, as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table.

There were no assets or liabilities measured at fair value on a non-recurring basis for the period ended 31 December 2019. However, there were non-recurring fair value transactions in the current period.

An investment in a subsidiary was classified as a disposal group held for sale at 30 June 2020. The assets and liabilities in the disposal group which are subject to the IFRS 5 measurement criteria were measured at fair value less costs to sell and classified as level 2 on the fair value hierarchy, depending on the nature of the specific underlying asset and liability. As at 31 December 2020, the sale has not yet occurred and the investment in the subsidiary remains classified as a disposal group held for sale.

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Fair value hierarchy

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the group which are recognised at fair value.

	As at 31 December 2020			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	29	140 949	1 885	142 863
Advances	–	47 469	40 647	88 116
Investment securities	117 912	100 045	3 071	221 028
Non-recourse investments	–	11 198	–	11 198
Commodities	20 046	–	–	20 046
Investment properties	–	–	714	714
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	–	51	–	51
Total fair value assets	**137 987**	**299 712**	**46 317**	**484 016**
Liabilities				
Recurring fair value measurements				
Short trading positions	17 035	–	–	17 035
Derivative financial instruments	1 184	142 585	1 753	145 522
Deposits	1 268	44 241	3 297	48 806
Non-recourse deposits	–	11 144	–	11 144
Other liabilities	–	35	102	137
Policyholder liabilities under investment contracts	–	5 045	–	5 045
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	–	2	–	2
Total fair value liabilities	**19 487**	**203 052**	**5 152**	**227 691**

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

	As at 31 December 2019			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	70	49 732	823	50 625
Advances	–	34 074	35 240	69 314
Investment securities	78 263	40 473	3 162	121 898
Non-recourse investments	–	12 881	–	12 881
Commodities	19 369	–	–	19 369
Investment properties	–	–	689	689
Total fair value assets – recurring	97 702	137 160	39 914	274 776
Liabilities				
Recurring fair value measurements				
Short trading positions	3 445	–	–	3 445
Derivative financial instruments	108	54 586	807	55 501
Deposits	1 685	51 066	710	53 461
Non-recourse deposits	–	12 881	–	12 881
Other liabilities	–	128	320	448
Policyholder liabilities under investment contracts	–	4 790	–	4 790
Total fair value liabilities – recurring	5 238	123 451	1 837	130 526

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

	As at 30 June 2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	50	146 540	925	147 515
Advances	–	20 871	48 633	69 504
Investment securities	106 433	43 618	3 886	153 937
Non-recourse investments	–	8 611	–	8 611
Commodities	21 344	–	–	21 344
Investment properties	–	–	722	722
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	–	58	–	58
Total fair value assets	127 827	219 698	54 166	401 691
Liabilities				
Recurring fair value measurements				
Short trading positions	5 062	–	–	5 062
Derivative financial instruments	292	160 045	1 856	162 193
Deposits	1 299	39 918	5 063	46 280
Non-recourse deposits	–	8 611	–	8 611
Other liabilities	–	2	300	302
Policyholder liabilities under investment contracts	–	4 960	–	4 960
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	–	2	–	2
Total fair value liabilities	6 653	213 538	7 219	227 410

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Transfers between fair value hierarchy levels

The following represents the significant transfers into level 1, 2 and 3 and the reasons for the transfers. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

	As at 31 December 2020		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**–**	**(319)**	There were no transfers into level 1.
Level 2	**108**	**–**	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.
Level 3	**319**	**(108)**	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1, as active trading ceased during the period and the inputs into the fair value model were no longer observable.
Total transfers	**427**	**(427)**	

	As at 31 December 2019		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	19	–	Certain derivatives have been transferred to level 2 in the period because the inputs used in the valuation have become observable as maturity is within 12 months.
Level 3	–	(19)	There were no transfers into level 3.
Total transfers	19	(19)	

	As at 30 June 2020		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	–	(911)	There were no transfers into level 2.
Level 3	911	–	Due to market disruption as a result of COVID-19, the market for certain investment securities became illiquid with the assets transferred from level 2 to level 3. In addition, certain inputs used in valuing derivative instruments are no longer observable, resulting in their transfer from level 2 to level 3.
Total transfers	911	(911)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

The following table shows a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	**Derivative financial assets**	**Advances**	**Investment securities**	**Investment properties**	**Derivative financial liabilities**	**Other liabilities**	**Deposits**
Balance as at 1 July 2020	**925**	**48 633**	**3 886**	**722**	**1 856**	**300**	**5 063**
Gains/(losses) recognised in profit or loss	**1 058**	**194**	**26**	**(8)**	**117**	**(29)**	**(162)**
Gains/(losses) recognised in other comprehensive income	**–**	**–**	**(134)**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(98)**	**(7 253)**	**(875)**	**–**	**(220)**	**(169)**	**(1 586)**
Acquisitions/(disposals) of subsidiaries	**–**	**–**	**(15)**	**–**	**–**	**–**	**–**
Net transfer to level 3	**–**	**–**	**211**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**(927)**	**(28)**	**–**	**–**	**–**	**(18)**
Balance as at 31 December 2020	**1 885**	**40 647**	**3 071**	**714**	**1 753**	**102**	**3 297**

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 2019	803	36 141	3 692	689	842	387	1 238
Gains/(losses) recognised in profit or loss	440	800	(37)	–	1 252	70	13
Gains/(losses) recognised in other comprehensive income	–	–	1	–	–	–	–
Purchases, sales, issue and settlements	(420)	(1 637)	(568)	–	(1 268)	(137)	(539)
Acquisitions/(disposals) of subsidiaries	–	–	73	–	–	–	–
Net transfer to level 3	–	–	–	–	(19)	–	–
Exchange rate differences	–	(64)	1	–	–	–	(2)
Balance as at 31 December 2019	823	35 240	3 162	689	807	320	710

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 2019	802	36 141	3 692	689	842	387	1 238
Gains/(losses) recognised in profit or loss	142	4 458	(407)	26	1 418	154	76
Gains/(losses) recognised in other comprehensive income	–	–	(203)	–	–	–	–
Purchases, sales, issue and settlements	(86)	7 186	(55)	7	(434)	(241)	3 729
Acquisitions/(disposals) of subsidiaries	–	–	–	–	–	–	–
Net transfer to level 3	67	–	814	–	30	–	–
Exchange rate differences	–	848	45	–	–	–	20
Balance as at 30 June 2020	925	48 633	3 886	722	1 856	300	5 063

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities are as a result of gains, settlements or the disposal of subsidiaries.

Gains or losses on advances classified as level 3 of the hierarchy, comprise gross interest income on advances, fair value of credit adjustments and adjustments due to changes in currency and base rates. These instruments are funded by liabilities, whereby the inherent risk is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair note as these items are typically measured at amortised cost.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are not readily observable, either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The table below presents the total gains/losses relating to remeasurement of assets and liabilities carried at fair value on a recurring basis classified as level 3 that are still held at reporting date. With the exception of interest on funding instruments and fair value through other comprehensive income (FVOCI) debt instruments, all gains or losses are recognised in non-interest revenue.

	Six months ended 31 December 2020		Six months ended 31 December 2019		Year ended 30 June 2020	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets						
Derivative financial instruments	**1 139**	**–**	292	–	83	–
Advances*	**108**	**–**	847	–	4 291	–
Investment securities	**(12)**	**(134)**	(36)	1	(575)	(211)
Investment properties	**(7)**	**–**	–	–	91	–
Total	**1 228**	**(134)**	1 103	1	3 890	(211)
Liabilities						
Derivative financial instruments	**164**	**–**	(489)	–	(978)	–
Deposits	**(137)**	**–**	3	–	(41)	–
Other liabilities	**(29)**	**–**	44	–	(40)	–
Total	**(2)**	**–**	(442)	–	(1 059)	–

* *Amount is mainly accrued interest on fair value loans, and advances and movements in interest rates that have been economically hedged. These loans and advances are classified as level 3 primarily, as credit spreads could be a significant input and are not observable for loans and advances in most of RMB's key markets. Inputs relating to interest rates and foreign currencies are regarded as observable.*

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonable possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLE POSSIBLE CHANGES ARE APPLIED	REASONABLE POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit	Credit migration matrix	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument.
Investment properties	Expected rentals, capitalisation and exit/ terminal rates	Escalation rates applied to rentals and discount rates	Expected rentals are adjusted for comparable rentals. A range of capitalisation rates were used to assess reasonability of the rate(s) used.
Deposits	Credit inputs and market correlation factors	Credit inputs, correlation and devaluation parameters	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes and deposits under repurchase agreements. The most significant unobservable input in determining the fair value is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances, using the credit migration matrix, with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

	Reasonably possible alternative fair value								
	As at 31 December 2020			As at 31 December 2019			As at 30 June 2020		
R million	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets									
Derivative financial instruments	**1 885**	**1 927**	**1 843**	823	829	819	925	983	872
Advances	**40 647**	**40 757**	**40 547**	35 240	35 658	34 830	48 633	48 828	48 442
Investment securities	**3 071**	**3 150**	**2 951**	3 162	3 245	3 033	3 886	4 044	3 660
Investment properties	**714**	**786**	**643**	689	758	620	722	794	649
Total financial assets measured at fair value in level 3	**46 317**	**46 620**	**45 984**	39 914	40 490	39 302	54 166	54 649	53 623
Liabilities									
Derivative financial instruments	**1 753**	**1 702**	**1 806**	807	801	810	1 856	1 762	1 934
Deposits	**3 297**	**3 282**	**3 312**	710	704	717	5 063	5 010	5 132
Other liabilities	**102**	**101**	**104**	320	314	328	300	297	303
Total financial liabilities measured at fair value in level 3	**5 152**	**5 085**	**5 222**	1 837	1 819	1 855	7 219	7 069	7 369

Fair value measurements continued

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following represents the fair values of financial instruments not carried at fair value in the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments the carrying value is equal to or a reasonable approximation of the fair value.

	As at 31 December 2020	
R million	**Carrying value**	**Total fair value**
Assets		
Advances	**1 134 005**	**1 148 449**
Investment securities	**128 875**	**130 243**
Total assets at amortised cost	**1 262 880**	**1 278 692**
Liabilities		
Deposits	**1 496 954**	**1 502 478**
Other liabilities	**5 343**	**5 294**
Tier 2 liabilities	**21 168**	**21 714**
Total liabilities at amortised cost	**1 523 465**	**1 529 486**

	As at 31 December 2020	
R million	Carrying value	Total fair value
Assets		
Advances	1 154 450	1 161 310
Investment securities	125 303	124 729
Total assets at amortised cost	1 279 753	1 286 039
Liabilities		
Deposits	1 372 247	1 374 300
Other liabilities	4 876	4 880
Tier 2 liabilities	24 381	25 043
Total liabilities at amortised cost	1 401 504	1 404 223

	As at 30 June 2020	
R million	Carrying value	Total fair value
Assets		
Advances	1 192 211	1 202 775
Investment securities	134 921	133 464
Total assets at amortised cost	1 327 132	1 336 239
Liabilities		
Deposits	1 480 124	1 483 457
Other liabilities	4 735	4 778
Tier 2 liabilities	24 614	24 987
Total liabilities at amortised cost	1 509 473	1 513 222

DAY 1 PROFIT OR LOSS

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

	As at 31 December		As at 30 June
R million	**2020**	2019	2020
Opening balance	**197**	50	50
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**116**	199	329
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(119)**	(56)	(182)
Closing balance	**194**	193	197

Contingencies and commitments

	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	**35 708**	33 887	5	33 609
Letters of credit	**8 707**	9 170	(5)	8 511
Total contingencies	**44 415**	43 057	3	42 120
Irrevocable commitments*	**140 709**	118 558	19	127 658
Committed capital expenditure approved by the directors	**2 816**	2 860	(2)	3 584
Other	**45**	37	22	50
Contingencies and commitments	**187 985**	164 512	14	173 412
Legal proceedings				
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis and arise during the normal course of business. On-balance sheet provisions are only taken for claims that are expected to materialise.	**433**	430	1	426

* *Irrevocable commitments have been restated following an investigation which identified an amount of R10 487 million that had been included in irrevocable commitments in December 2019 relating to contracts that provide the group with sole discretion to grant the respective facilities. The ECL on these commitments are immaterial.*

Events after the reporting period

On 24 February 2021 the Minister of Finance announced in his budget speech that the corporate income tax rate will be lowered to 27% for companies with years of assessment commencing on or after 1 April 2022. In terms of Financial Reporting Pronouncements 1, *Substantially enacted tax rates and tax laws under International Financial Reporting Standards,* changes in tax rates are substantially enacted when they are announced by the Minister of Finance. The group will be required to calculate deferred tax balances at 27% from announcement date. The change in tax rate is a non-adjusting event after the reporting period.

The directors are not aware of any other material events that occurred between the date of the statement of financial position and the date of this report.

Summary segment report

Six months ended 31 December 2020

	FNB										
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	**RMB**	**Aldermore**	FCC (including Group Treasury and other)	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
Profit before tax	9 948	709	**10 657**	**967**	**11 624**	**4 535**	**1 225**	(1 794)	**15 590**	227	**15 817**
Total assets	426 315	58 388	**484 703**	**130 446**	**615 149**	**637 015**	**326 109**	371 504	**1 949 777**	(8)	**1 949 769**
Total liabilities*	419 430	57 454	**476 884**	**129 511**	**606 395**	**629 034**	**302 911**	249 987	**1 788 327**	–	**1 788 327**

* *Total liabilities are net of interdivisional balances.*

Six months ended 31 December 2019

	FNB										
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	**RMB**	**Aldermore**	FCC (including Group Treasury and other)	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
Profit before tax	12 220	998	**13 218**	**1 373**	**14 591**	**4 832**	**1 096**	(1 069)	**19 450**	(39)	**19 411**
Total assets	436 331	58 893	**495 224**	**141 262**	**636 486**	**541 400**	**261 938**	276 561	**1 716 385**	(28)	**1 716 357**
Total liabilities*	428 731	58 126	**486 857**	**139 060**	**625 917**	**533 644**	**240 947**	165 542	**1 566 050**	–	**1 566 050**

* *Total liabilities are net of interdivisional balances.*

Year ended 30 June 2020

	FNB										
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	**RMB**	**Aldermore**	FCC (including Group Treasury and other)	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
Profit before tax	16 653	1 146	**17 799**	**1 226**	**19 025**	**8 113**	**956**	(4 176)	**23 918**	(290)	**23 628**
Total assets	428 274	59 265	**487 539**	**133 372**	**620 911**	**642 436**	**328 301**	334 968	**1 926 616**	(77)	**1 926 539**
Total liabilities*	416 863	58 417	**475 280**	**131 323**	**606 603**	**631 961**	**304 550**	231 505	**1 774 619**	–	**1 774 619**

* *Total liabilities are net of interdivisional balances.*

SUPPLEMENTARY INFORMATION

Headline earnings additional disclosure

Set out below is additional information pertaining to *Section 1 of Circular 01/2019 – Sector-Specific Rules for Headline Earnings*.

ISSUE 1 – REMEASUREMENT RELATING TO PRIVATE EQUITY ACTIVITIES (ASSOCIATES AND JOINT VENTURES, EXCLUDING ANY PRIVATE EQUITY INVESTMENTS CARRIED AT FAIR VALUE IN TERMS OF IFRS 9) REGARDED AS OPERATING OR TRADING ACTIVITIES

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Aggregate cost of portfolio	**2 705**	2 974	(9)	2 583
Aggregate carrying value	**5 516**	5 124	8	5 103
Aggregate fair value*	**10 399**	9 556	9	9 370
Equity-accounted income**	**394**	324	22	100
Profit on realisation#	**–**	–	–	420

* *Aggregate fair value is disclosed including non-controlling interests.*

** *Income from associates and joint ventures is disposed post-tax.*

Profit on realisation is disclosed post-tax and non-controlling interests.

ISSUE 2 – CAPITAL APPRECIATION ON INVESTMENT PRODUCTS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Carrying value of investment properties	**714**	689	4	722
Fair value of investment properties	**714**	689	4	722

Number of ordinary shares in issue

	As at 31 December				As at 30 June	
	2020		2019		2020	
	IFRS	**Normalised**	IFRS	Normalised	IFRS	Normalised
Shares in issue						
Number of ordinary shares in issue	**5 609 488 001**	**5 609 488 001**	5 609 102 039	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	**(1 563 150)**	**–**	(1 295 184)	–	(3 239 594)	–
– Shares for client trading*	**(1 563 150)**	**–**	(1 295 184)	–	(3 239 594)	–
Number of shares in issue (after treasury shares)	**5 607 924 851**	**5 609 488 001**	5 607 806 855	5 609 488 001	5 606 248 407	5 609 488 001
Weighted average number of shares before treasury shares	**5 609 488 001**	**5 609 488 001**	5 609 102 039	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	**(1 314 697)**	**–**	(923 233)	–	(1 327 218)	–
– Shares for client trading*	**(1 314 697)**	**–**	(923 233)	–	(1 327 218)	–
Basic and diluted weighted average number of shares in issue	**5 608 173 304**	**5 609 488 001**	5 608 178 806	5 609 488 001	5 608 160 783	5 609 488 001

* *For normalised reporting, shares held for client trading activities are treated as externally issued.*

Key market indicators and share statistics

	Six months ended 31 December			Year ended 30 June
	2020	2019	% change	2020
Market indicators				
$/ZAR exchange rate				
– Closing	**14.68**	14.00	5	17.36
– Average	**16.21**	14.67	10	15.51
£/ZAR exchange rate				
– Closing	**20.06**	18.42	9	21.43
– Average	**21.18**	18.48	15	19.57
SA prime overdraft (%)	**7.00**	10.00		7.25
SA average prime overdraft (%)	**7.03**	10.02		9.35
SA average CPI (%)	**3.15**	3.95		3.68
JSE All Share Index	**59 409**	57 084	4	54 362
JSE Banks Index	**6 849**	8 731	(22)	5 133
Share statistics				
Share price				
– High for the year (cents)	**5 347**	7 000	(24)	6 990
– Low for the year (cents)	**3 552**	5 486	(35)	3 113
– Closing (cents)	**5 104**	6 280	(19)	3 806
Shares traded				
– Number of shares (millions)	**2 199**	1 426	54	3 536
– Value of shares (R million)	**93 235**	90 075	4	179 025
– Turnover in shares traded (%)	**16.63**	25.43		63.05
Share price performance				
FirstRand average share price (cents)	**4 219**	6 355	(34)	5 557
JSE Bank Index (average)	**5 719**	8 929	(36)	7 690
JSE All Share Index (average)	**56 221**	56 086	–	54 031

Company information

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), JP Burger, GG Gelink, F Knoetze, RM Loubser, TS Mashego, Z Roscherr, LL von Zeuner, T Winterboer

COMPANY SECRETARY AND REGISTERED OFFICE

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1820
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
Corporate Finance
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
sponsorteam@rmb.co.za

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View 2090

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng 2090

Listed financial instruments of the group

LISTED EQUITY

Johannesburg Stock Exchange (JSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT

South Africa

FRB remains the group's rated entity from which debt is issued. The bank's JSE-listed programmes and debt instruments are available on the group website:

- https://www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/
- https://www.rmb.co.za/page/krugerrand-custodial-certificate
- https://www.rmb.co.za/page/dollar-custodial-certificate

The group also issues debt instruments in the following jurisdictions:

UK

Issuer: FirstRand Bank Limited

London Stock Exchange (LSE)

European medium-term note programme

ISIN code	
Senior unsecured	**Subordinated debt**
XS1954121031 (unlisted)	XS1810806395

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

Rest of Africa

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code	
Subordinated debt	
NA000A19FKV1	NA000A19FKU3

ISIN code	
Senior unsecured	
NA000A188PY8	NA000A188PW2

JSE

ISIN code
Senior unsecured
ZAG000142902

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

ISIN code	
Subordinated debt	
BW 000 000 1668	BW 000 000 1700
BW 000 000 2377	

ISIN code	
Senior unsecured	
BW 000 000 1528	BW 000 000 1916

CREDIT RATINGS

Refer to https://www.firstrand.co.za/investors/debt-investor-centre/credit-ratings/ for detail on the group's credit ratings.

Listed financial instruments of the group continued

CAPITAL INSTRUMENTS (BASEL III COMPLIANT INSTRUMENTS)

	Currency (million)	Maturity date	Call date	As at 31 December		As at 30 June
				2020	**2019**	**2020**
FirstRand Bank						
AT1						
FRB24	ZAR	Perpetual	8/11/2023	2 265	2 265	2 265
FRB25	ZAR	Perpetual	19/9/2024	3 461	3 461	3 461
FRB28	ZAR	Perpetual	2/12/2025	1 400	–	–
Tier 2						
FRB13	ZAR	2/6/2026	2/6/2021	148	148	148
FRB14	ZAR	2/6/2026	2/6/2021	125	125	125
FRB15	ZAR	6/3/2025	6/3/2020	–	2 000	–
FRB16	ZAR	8/7/2025	8/7/2020	–	1 750	1 750
FRB17	ZAR	8/1/2027	8/1/2022	601	601	601
FRB18	ZAR	13/4/2026	13/4/2021	1 500	1 500	1 500
FRB19	ZAR	14/4/2026	14/4/2021	500	500	500
FRB20	ZAR	15/4/2026	15/4/2021	645	645	645
FRB21	ZAR	24/11/2026	24/11/2021	1 000	1 000	1 000
FRB22	ZAR	8/12/2027	8/12/2022	1 250	1 250	1 250
FRB23	ZAR	20/9/2027	20/9/2022	2 750	2 750	2 750
FRB26	ZAR	3/6/2029	3/6/2024	1 910	1 910	1 910
FRB27	ZAR	3/6/2031	3/6/2026	715	715	715
Reg S	USD	23/4/2028	23/4/2023	500	500	500
Aldermore Group plc						
AT1	GBP	Perpetual	30/4/2020	–	74	–
Tier 2	GBP	28/10/2026	28/10/2021	60	60	60
FirstRand group*						
Total AT1**	**ZAR**			**7 126**	**7 089**	**5 726**
Total Tier 2**	**ZAR**			**19 686**	**22 999**	**22 858**

* *Does not include the group's NCNR preference shares.*

** *Dollar and pound instruments translated at the closing rates at the respective reporting periods.*

Refer to the https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for additional information on the terms and conditions of the capital instruments.

Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure.
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure.
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Vintage analysis	A percentage that expresses the origination balance of the loans in particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Amortised cost and fair value
ABF	Asset-backed finance
APE	Annual premium equivalent
APN	Advisory Practice Note
AT1	Additional Tier 1
AUM	Assets under management
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
Capex	Capital expenditure
CB	RMB corporate banking
CBILS	Coronavirus Business Interruption Loan Scheme
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CLF	Committed liquidity facility
CoDI	Corporation for Deposit Insurance
COVID-19	Coronavirus disease
CSI	Corporate social investment
DM	Developed market
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
EAD	Exposure at default
ECL	Expected credit loss
ELI	Employee liability insurance
EMTN	European medium-term note
EV	Embedded value
FCC	FirstRand Corporate Centre
FLI	Forward-looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resources management
FRN	Floating rate note
FSLAB	Financial Sector Laws Amendment Bill
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
GCA	Gross carrying amount
GHL Bank	Ghana Home Loans Bank
HQLA	High-quality liquid assets
IB	Investment banking
IBOR	Interbank offered rate
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg interbank average rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LISP	Linked investment service provider
LSE	London Stock Exchange
LTV	Loan to value
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NAV	Net asset value
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
ORSA	Own risk and solvency assessment
PA	Prudential Authority
PBT	Profit before tax
PD	Probability of default
P/E	Price/earnings
RCLF	Restricted-use committed liquidity facility
ROA	Return on assets
ROE	Return on equity
RWA	Risk weighted assets
S&P	S&P Global Ratings
SA-CCR	Standardised approach for measuring counterparty credit risk
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small- and medium-sized enterprise
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VNB	Value of new business
VWFS	Volkswagen Financial Services (Pty) Ltd
WIM	Wealth and investment management

Abbreviations of financial reporting standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

INTERNATIONAL ACCOUNTING STANDARDS

IAS 1	IAS 1 – Presentation of Financial Statements
IAS 2	IAS 2 – Inventories
IAS 7	IAS 7 – Statement of Cash Flows
IAS 8	IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	IAS 10 – Events After the Reporting Period
IAS 12	IAS 12 – Income Taxes
IAS 16	IAS 16 – Property, Plant and Equipment
IAS 17	IAS 17 – Leases
IAS 18	IAS 18 – Revenue
IAS 19	IAS 19 – Employee Benefits
IAS 20	IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	IAS 21 – The Effects of Changes in Foreign Exchange Rates
IAS 23	IAS 23 – Borrowing Costs
IAS 24	IAS 24 – Related Party Disclosures
IAS 27	IAS 27 – Consolidated and Separate Financial Statements
IAS 28	IAS 28 – Investments in Associates and Joint Ventures
IAS 29	IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 32	IAS 32 – Financial Instruments – Presentation
IAS 33	IAS 33 – Earnings Per Share
IAS 34	IAS 34 – Interim Financial Reporting
IAS 36	IAS 36 – Impairment of Assets
IAS 37	IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
IAS 38	IAS 38 – Intangible Assets
IAS 39	IAS 39 – Financial Instruments – Recognition and Measurement
IAS 40	IAS 40 – Investment Property

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

IFRIC 17	IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 22	IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRIC 23	IFRIC 23 – Uncertainty over Income Tax Treatments

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